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# EXPLOITATION OF YOUNG ADULTS IN DOOR-TO-DOOR SALES

## HEARING

BEFORE THE

## PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

## COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

APRIL 6, 1987

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December, 1986 Balance Sheet for Robertson Crew.
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# EXPLOITATION OF YOUNG ADULTS IN DOOR-TO-DOOR SALES

MONDAY, APRIL 6, 1987

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATION,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10 a.m., in room SD-343, Dirksen Senate Office Building, Hon. William V. Roth, presiding.

Members of the committee present: Senator Carl Levin, Democrat from Michigan; Senator Jim Sasser, Democrat from Tennessee; and Senator William V. Roth, Jr., Republican from Delaware;

Members of the professional staff present: Eleanore; J. Hill, chief counsel; Daniel F. Rinzel, chief counsel to the minority; Mary Robertson, chief clerk; Howard Shapiro, staff counsel to the minority; Barbara Kammerman, deputy chief counsel to the minority; David Munson, investigator; Sallie Cribbs, executive assistant to the minority chief counsel; and Leonard Willis, investigator; and Ann V. Saxon, staff assistant to the minority.

[Senator present at convening of the hearing: Senator Levin.]

Senator LEVIN. The subcommittee will be in order.

[The letter of authority follows:]

U.S. SENATE, COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
*Washington, DC.*

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive session hearings without a quorum of two members for the administrtion of oaths and the taking of testimony in connection with hearings on the Exploitation of Young Adults in Door-to-Door Sales, to be held on April 6, 1987.

SAM NUNN,
*Chairman.*
WILLIAM V. ROTH, Jr.,
*Ranking minority member.*

## OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. The hearing will come to order.

I am chairing very, very temporarily this hearing at the request of Senator Nunn who is, of course, the Chairman of our Subcommittee. Senator Nunn is, unfortunately, unable to be here due to other commitments, and has requested that I open up this hearing on his behalf.

Senator Nunn has asked me to congratulate Senate Roth on his behalf for the effort which the minority staff has put forth in preparing for today's hearing. All the other members of the subcommittee join Senator Nunn in those congratulations to Senator Roth.

This investigation was initiated last year under the leadership of Senator Roth, who was then chairman of the subcommittee, and is continuing in this Congress under his direction as ranking minority member.

As I understand it, the testimony this morning will focus on alleged abuses in recruitment and employment practices used by certain door-to-door sales organizations. Door-to-door sales is an area of the job market which seems to be especially attractive to young adults with little or no previous job experience. As such, they are many times ill prepared for the rigorous work schedule, and often meager financial reward that characterize door-to-door sales programs, or at least some door-to-door sales programs.

Hopefully, this morning's hearing will help educate our youth on the type of lifestyle they may expect if they choose this type of employment.

In keeping with the subcommittee's long tradition of bipartisan investigations, I will be turning this hearing over to Senator Roth, whose efforts have brought this issue to the attention of the subcommittee. Senator Roth worked diligently in the preparation of this hearing, he will proceed with the witnesses that we have this morning.

I say that I will be turning the gavel over to Senator Roth, but Senator Roth is not here yet. His train is late. We expect that he will be here in 15 minutes. So what we will do is to adjourn the hearing for 15 minutes until Senator Roth arrives Before I do that, I will put in the record the testimony of Congressman Ron Wyden.[1]

The subcommittee will stand adjourned for 15 minutes or until Senator Roth arrives, whichever is earlier.

[Recess.]

## OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. The subcommittee will please be in order.

Almost everyone, at one time or another, has opened the door to a young man or a young woman selling magazine subscriptions or cleaning products. Door-to-door sales have a long tradition in the annals of American free enterprise. However, allegations that certain of these enterprises are anything but "free" for the sales agents caused the Permanent Subcommittee on Investigations to look more closely behind the brief encounter at the customer's door.

We are concerned that the young sales agents, generally 18 to 25 years of age, sometimes younger, may themselves have been sold a bad bill of goods. What sounds like a good deal often turns out to be an ordeal.

Specifically, PSI received allegations that these young people, traveling throughout the country with door-to-door magazine subscriptions and cleaning product sales crews, have been abused and

[1] See p. 213.

exploited at the hands of crew management. Accordingly, PSI initiated a lengthy investigation of these groups.

The evidence that emerged convinced us that problems do exist—ones that merit public exposure and scrutiny. While there are many legitimate organizations, and some former sales agents reported favorable experiences with crews, a disturbing number of others, with striking uniformity, have described very troublesome situations and unsavory crew leaders—persons who might best be described as merchants of venom.

Typically, these young people respond to ads that promise them lavish travel, fun, and the opportunity to earn good money. After a perfunctory interview at which very little information about the real nature of the job is relayed, the applicant is hired and told that he must leave that day, or in the very near future.

The job, all too often it turns out, involves extremely long hours, including early morning and late night sessions, cramped living conditions, and little personal freedom. The sales agents do not receive paychecks. Their earnings remain "on the books." Often all they actually receive is a nightly dole for food and personal items, usually in the area of $8 to $15. These sales agents frequently end up in debt to the sales organization—or at least that is what they are told. In a very real way there seems to be profiteering on the part of a few on the slave labor of the young.

Verbal abuse is common. Most alarming were reports by several sales agents that they experienced or witnessed physical abuse, sexual harassment, denial of medical treatment, and the fact that on several occasions, groups of sales agents left the crews only when given the opportunity to do so under police protection.

Several law enforcement officials reported substantial frustration in investigating and prosecuting the sales organizations for various offenses because the groups are mobile. They spend only a few days within a community or State.

These traveling door-to-door sales agents, as I said, are really being taken for a ride. It seems that unscrupulous individuals are preying on the desires of our nation's young adults to have decent jobs, and secure better futures. Accordingly, we want to consider how to proetect the rights of these young workers, the rights to receipt of fair wages and decent working conditions: Who is responsible for these young people? What are the publishers doing about these reports of abuse? What can the Federal Trade Commission and the Department of Justice do? Is the abuse of these traveling sales agents falling through the cracks of existing legislation?

Public awareness is important in combatting the abusive practices, and today's hearing will help young people and their parents to make informed decisions about these groups.

Today we will hear from a member of PSI's staff, from former sales agents, from individuals who manage these groups or contract with them, and from a consultant who arranges authorizations from publishers to magazine clearinghouses to sell magazine subscriptions. In addition, we will hear from New York's distinguished Attornery General Robert Abrams. Our doors are open to their testimony.

At this time, we will call forward Susan Lebeaux, who is a staff member of the Permanent Subcommittee on Investigations.

Under the rules of the Subcommittee, all witnesses must be sworn.

Please rise and you raise your right hand. Do you swear the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing buth the truth, so help you God?

Ms. LEBEAUX. I do.

Senator ROTH. Please proceed. We are glad that you were able to be with us today.

## TESTIMONY OF SUSAN LEBEAUX, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Ms. LEBEAUX. Thank you.

Mr. Chairman, the staff of the Permanent Subcommittee on Investigations has spent several months exploring what happens to young adults when they join the crews of traveling door-to-door sales organizations that sell magazine subscriptions and chemical cleaning products.

This investigation began as a result of allegations surfacing in the media that these sales agents, generally 18 to 25 years of age, were subject to abuse and exploitation by their crew leaders.

In the course of our investigation, the staff interviewed approximately 65 former and current sales agents, as well as crew and company management; numerous Federal, State, and local law enforcement officials, representatives of private groups who have monitored the activities of the sales organizations, magazine publishers and others. In addition, staff obtained and examined voluminous documents from many of these organizations and groups.

Our investigation revealed that there may be hundreds of sales crews operating throughout the country, employing thousands of young men and women, and that the allegations of abuse and exploitation are serious and disturbing. These include physical assault, sexual harassment, denial of medical treatment, and manipulation of the agents' earnings.

A number of the agents interviewed, most of whom currently work in a crew, reported favorable experiences. However a far greater number of the agents we spoke to felt victimized. Given the number of complaints that agents were been cheated by deceptive financial practices, given the number of assault complaints, some of which you will hear from some of the witnesses today, we concluded that there is a problem out there, one that, as Senator Roth said, requires more public exposure, better coordination among law enforcement, and more protection for the sales agents.

I have prepared a lengthy statement which I would like to submit for the record,[2] and there are witnesses who will appear today who will describe their own first-hand experiences with these groups. Therefore, I am just going to touch on some of our more significant findings in my testimony.

At the outset, let me say that we concentrated on the door-to-door magazine and cleaning product groups because those were the groups that were the subject of most allegations of abusive practices.

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[2] See p. 67.

Let me describe briefly how the magazine industry is structured. As the chart on the easel shows, the publisher authorizes magazine clearing houses to sell subscriptions to magazines. The publishers may do this directly or through a broker-consultant or through another clearing house. The magazine clearing houses, in turn, contract with distributors, also known as crew chiefs.

Besides paying a commission, the magazine clearing house provides several other services to the distributor, including clearing orders from the publishers, keeping the distributor's accounts, forwarding mail and messages, wiring funds, and supplying printed materials for use in the crews.

At the crew level, at the top is the crew chief. Below him, almost all of the crews have one or more car-handlers. These are sales agents that have done well, and now drive the crew vehicles that transport other sales agents to the neighborhoods to sell door-to-door. Car-handlers may also engage in door-to-door sales, and they usually receive additional commissions based on the number of sales by agents in their vehicles. The larger groups also have junior managers, who are being groomed to have their own crews, and other employees such as recruiters. At the bottom, of course, are the sales agents. The crews generally range in size from three sales agents to 30 or more sales agents.

[See Exhibit 1 on p. 172.]

Ms. LEBEAUX. As the next exhibit shows each level will get a share of the proceeds from the magazine sales. Here we are talking about a standard $20 order. While the numbers on the left do not show what the distribution will be in every case, they are based on percentages that are common in the industry.

As the number show, for a $20 order, the sales agent should get $4 for selling the subscription door-to-door, the car-handler $1, the distributor gets $9, the magazine clearing house gets $4, and the magazine publisher gets $2.

The way it generally works is that half the price of the order is collected up front by the sales agent at the door, and half of it is mailed in by the customer to the clearing house. The crew chief get part of the up front portion, and part of the mail-in balance.

For door-to-door cleaning product sales, the structure is less complicated. The chemical manufacturers sell the products wholesale to the distributor, who operates door-to-door sales crews, and provides many of the same services to the distributor that the magazine clearing houses do.

Customers are charged the retail price, and the distributor pays a commission to the sales agents and the car handler. The crew structure is the same as in the magazine sales groups.

The clearing house owners and the chemical manufacturers claim that the crew chiefs are independent contractors, and that they, themselves, have not control over the operation of the crews, and no responsibility for the treatment of the sales agents.

Senator ROTH. If I could interrupt at this point, Susan. As I understand your chart, this is a typical illustration of what each level will be paid, although not necessarily identical in every case. If I understand it properly, of the $20 paid, $9.00 goes to the distributor or the crew chief; is that correct?

Ms. LEBEAUX. That is correct. He gets part of the up front portion. From the $10 that will be collected at the door, after the sales agent car handlers are taken care of, he receives the remaining $5. He will also be paid a commission by the magazine clearing house from part of the mail-in portion.

Senator ROTH. Presumably the sales agent gets $4 of the $10.

Ms. LEBEAUX. He should get $4. It would be a 40 percent commission on that $10.

Senator ROTH. The broker/consultant; who pays him?

Ms. LEBEAUX. The magazine publisher will be paying him.

The sales agents we interviewed described remarkably similar experiences. Crew chiefs recruit sales agents by placing ads in local newspapers that promise exciting travel and good earnings. At the interviews, recuiters emphasize that the jobs involve fun, travel, and money. The recruits generally are not told the number of hours they will work, the payment practices, that they may be arrested for working without a required sales permit, and even in some cases, that the job involves door-to-door sales. Recruits are usually hired at the interview and told they must leave immediately, that same day or the next day at the latest. So, within a very short time, the new sales agents are whisked away from their homes, often to distant cities or states, and their lives as sales agents begin.

The sales agent's life is a hard one. He rises early, usually at 6 or 6:30, since there are several agents in the room and they have to share the shower. At about 8:00 a.m., he attends a morning sales meeting. He then eats breakfast, and goes out on territory to knock on doors until the evening. He returns to the hotel, checks in and eats dinner. If his sales were not good, he attends a night-time sales meeting that may end as late as midnight and even later. The agent follows this schedule six days a week, on holidays, and in all kinds of weather. Sunday, which is supposed to be a day off, is often reserved for travel to new locales.

The sales agents earn money on a commission basis, but they do not receive paychecks. Instead, the crew chiefs maintain control of the agents' earnings; these are placed "on the books." The crew chief automatically deducts from these accounts expenses for the agents' hotel, and sometimes for supplies and fines for infractions of company rules.

The only money that many agents actually receive is a nightly draw or advance, usually $8 to $15 per night—although some agents with poor sales reported receiving less—and this amount is also deducted from their accounts automatically. The agent must use the nightly draw to buy all of his meals, do his laundry and purchase all of his personal items such as toothpaste and shampoo.

Some agents reported to us that they never saw their accounts the entire time that they were with the crew. Many remained in debt to the sales organization, or so they were told. While there are agents who do make some money, a significant number end up working ten to 16-hour days for nothing more than room and board, and never see another penny.

A disturbing number of agents told us that they experienced or witnessed incidents of physical abuse while working for the crews. The perpetartors of this violence were crew chiefs, managers and

car-handlers. We also heard on several occassions that female sales agents were sexually propositioned by crew management. Some agents described incidents when they required medical attention, but treatment was delayed until the agent made his sales for the day or for the week. The most common abuse was verbal. Many agents told us that crew management frequently intimiated agents using obscenities or derisive comments. Several agents said that there was extensive drug use on the crews, but most crew chiefs did not approve; in a few cases, however, agents said that a manager or car handler supplied drugs to the crew.

When staff asked the agents why they did not report abuses to the police or leave the crews sooner, many found it hard to explain. Others told us that a combination of factors, such as fear of physical abuse, finanical dependency, and a distrust of the police encouraged by the groups, was responsible. Some agents only left the crews when the police intervened at the request of parents or others, including incidents involving the crews of Horace Robertson, one of the witnesses who is here today. Many agents who left on their own said that they just wanted to put the experience behind them. You will hear testimony today from three former sales agents about their experiences on crews.

In staff interviews, crew and company management denied the allegations of abuse and exploitation, blaming the bad publicity received by the industry mainly on a few disgruntled agents. They frequently pointed out that if agents were abused, they were free to go to the police, or to leave the group, and that they provided paid transportation home.

Staff also contacted several publishers who claimed that they had no specific knowledge or control over what occurred in the sales crews that sold their magazines. The publishers were generally aware of media accounts of abuse and exploitation of the crews, but with a couple of exceptions, they have not mounted any efforts to investigate these allegations. A crew leader, a clearinghouse owner, who is also a chemicals manufacturer, and a publisher, consultant will testify today concerning their views on these matters.

There has not been much action on the Federal Level concerning the sales groups. The Fair Labor Standards Act exempts outside sales people from minimum wage and overtime requirements, and since most agents are 18 years of age or older, the child labor laws generally do not apply. The Federal fraud statutes that are potentially applicable do not really cover the kinds of fradulent practices found in the groups, either because of high threshold amounts of loss that the victim must show, or because the deceptions are not primarily carried out through mail or wire fraud. While the FBI has investigated a number of cases for possible violations of involuntary servitude and slavery statutes, the Department of Justice has not authorized any prosecutions to date, partly because of the difficulty of proving that agents who are out selling by themselves in neighborhoods are being held against their will. The Federal Trade Commission has brought cases in the past against some companies and the industry, but has not been active in this area for many years due to the paucity of complaints.

Much of the information about the sales crews is in the hands of State and local law enforcement officials. In staff interviews, many

of these individuals voiced frustration in attempting to pursue investigations against the groups because they are mobile, and may quickly leave the jurisdiction if they suspect trouble. Some suggested that more attention on the Federal level, including legislation, as well as enhanced Federal, State and local cooperation would be appropriate. The Attorney General of New York, who is here today, will address some of these matters in his testimony.

I am going to stop here because the other witnesses who are here today will present in more detail some of the findings I have discussed, and there is a more elaborate treatment of them in the staff statement submitted for the record. I would be pleased to answer any questions that you may have.

Senator ROTH. Susan, let me ask you this, as I understand it, what is happening here is that these young people are presumably independent contractors under law, that is, they are not employees, they are exempted from wage and hour provisions, what we have here is a situation where people are exploiting an exception to the rule.

Are they, in your judgment, really independent contractors? As I understand what you are saying, it is that their hours, their schedules, their work is pretty close to regulated; is that correct?

Ms. LEBEAUX. That is correct. They sign a contract that says that they are "independent contractors," but that term, in the legal sense, is subject to a lot of factors being added up. The sales agents that we have talked to felt that they were not truly independent contractors. The hours of their day were completely within the control of the group and very structured. They did not have very much freedom, and they had very little discretion to do what they wanted to. They felt that the term "independent contractor" was a misnomer.

Senator ROTH. We have a number of witnesses, so I will not pursue this. We do have a number of items here for the record, and they will be included as part of the record.

Thank you, Susan.

Our next witness is Robert Abrams, the very distinguished Attorney General of the State of New York. His office has been actively investigating the types of door-to-door sales operations of concern to this subcommittee. The Attorney General is here to give us his views, from the State law enforcement perspective, of the difficulties inherent in investigating these kinds of organizations.

Mr. Attorney General, we are delighted to have you. Will you please come forward. As you heard me say, we have a rule on this subcommittee that all the witnesses, including Senators, are sworn.

Please raise your right hand. Do you swear that the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ABRAMS. I do.

Senator ROTH. Please be seated. We are very pleased that you are here today. You may proceed.

**TESTIMONY OF ROBERT ABRAMS, ATTORNEY GENERAL, STATE OF NEW YORK, ACCOMPANIED BY CARLIN MEYER, ASSISTANT ATTORNEY GENERAL**

Mr. ABRAMS. Thank you very much, Senator Roth. I was delighted to receive your invitation. I am excited by the interest that you, members of your staff, and members of the committee, have manifested in what I consider to be a serious nationwide problem.

I have asked to join me at the table Assistant Attorney General Carlin Meyer, who is the chief of the Labor Bureau in the New York State Attorney General's Office, where the staff has been looking at these issues for the past year or so. Our office has been investigating the recruitment, employment and sales practices of over 40 companies who sell magazine subscriptions and all-purpose chemical cleaners door-to-door.

Today, I would like to review our findings to date, and make some suggestions about how best to combat these sophisticated criminal enterprises, which are masquerading as legitimate sources of employment for the young people of my own State, and unfortunately too many other States across the country.

The practices that these companies have been using are equally disturbing, harkening back to a harsher era, before basic protections, such as a mandatory minimum wage and eight-hour day, were enacted. The companies basic approach to recruitment of unsophisticated youngsters, as young as 15 or 17, is to lure them with promises of free travel, large bonuses, and generous pay.

Once the youngsters are recruited, they are moved out of their home State, and worked 14 to 16 hours a day, with little or no time for themselves. They are then cheated out of most of what they have been promised as pay through a series of devious maneuvers, which I will describe. The youngsters who try to leave are often threatened and intimidated by their crew chiefs.

To give a full picture of what these companies do, and why it has been so hard to take action against them, I would like to review their operating methods briefly, and then pass along a few of the stories of abuse that former sales people for these firms have told members of my staff in the course of our investigation.

The first step is recruitment. These companies place ads in local newspapers in smaller cities and towns. The advertisements promise high pay, commissions, cash bonuses, prizes, and free transportation home when the recruits wish to leave.

Many advertisements further target young people by stating that parents are welcome at the interview. In some cases, they expressly and illegally call for single or unattached individuals.

When the youngster shows up for the interview, he or she is given a high pressure pitch, focusing on the great opportunity for high earnings, and the chance to travel and to sightsee all across the country.

They are not told that they will be routinely expected to work 16 hours a day, six days a week, and that their sightseeing will probably be confined to what they can pick up on the television screen in their hotel or motel room.

This misleading pitch is topped off by the youth being told to decide then and there, because there is only one position left.

Other positions are generally available, but each interviewee gets the same line, that only one job slot is left, so hurry up and pack.

Those who accept are quickly whisked to a hotel or a motel in some other nearby State where the rest of the sales crew is staying. Once with the company, the new recruit is asked to sign a statement that he or she is an independent contractor. In reality, the salesperson is not independent at all. He or she will live, work, and travel with the sales crew under the constant supervision of crew leaders or chiefs, and will rarely, if ever, be left alone.

The salesperson will sell door-to-door from early in the morning until late at night, and will frequently begin and end each day by attending group sales meetings. Even on Sunday, the young worker will remain with the crew, either doing laundry, traveling, or engaging in group social activity, or attending sales meetings.

If the worker's sales are low, he or she will be the subject of additional coercion. Crew chiefs and other supervisors will impose a fine, or require the worker to sleep on the floor at night or attend additional sales meetings. Some sales people have told us that low sellers have been physically abused. More often, however, the chiefs and supervisors will humiliate the worker in front of the entire group.

Sellers are often trained to use a fraudulent sales pitch, telling consumers that their purchases can help the salesperson win a free trip to Europe, or a $10,000 cash bonus to start a business. The sellers are frequently shown how to demonstrate the chemical mixture at a more concentrated, therefore, a more potent mixture than that recommended for use by the consumer.

Sellers are pressured to obtain payment in cash, accepting, as the last resort, checks that are made out to cash.

The young person will rarely, if ever, see the fruits of his labor. He or she will receive a small cash advance, generally, perhaps $5 to $10. The amount of the advance will depend upon the number of sales made. A low seller may only receive a few dollars on which to live every day.

In theory, the salesperson also receives a commission for every sale which is credited to his or her account. In practice, though, accounts are not kept, or are maintained in pencil and ultimately altered. Either way, the salesperson never sees the money that is supposedly deposited in the account.

Instead, deductions are made from the account for food, lodging, and supplies. Even more outrageous is the system of levying fines against the worker's account for being a low seller, losing company property, being late to meetings, displaying a negative attitude, or having a customer cancel a sale.

As two former sales people from New York and Colorado explained, this system means that an average earner or a low earner in sales cannot help but be in debt to the company after the deductions and, therefore, will be working in some cases for many months, if not a year or two, for absolutely no pay at all.

The stories that the former sales people told my staff reveal the extent of coercion and manipulation that these companies employ. We were introduced to many of them by Earline Williams of Parent Watch, an activist who is concerned about these companies,

and who has kept the focus of the media and law enforcement groups upon them.

Sadly, half of our interviewees were 18 or younger when they were first recruited by the companies, and one was only 16. Here are a few of the tales that we have heard.

Lisa began working for a chemical supply company at age 20. She became so exhausted working 16 hours a day that she was twice treated at hospitals for exhaustion. The company refused to pay for the treatment, so the bills, and they were over $700, were sent to her parents.

Lisa was once locked in a room for three hours as punishment. She felt constantly watched and monitored and pressured in order to stay with the group despite her unhappiness. She only felt able to leave by sneaking away at 4:00 in the morning with the help of a friend.

Senator ROTH. Is this characteristic of an independent contractor?

Mr. ABRAMS. Absolutely not. We contend, Senator Roth, that these individuals are not independent contractors. That is a ruse or a guise by which they tend to get away from the payment of workers' compensation benefits and taxes. We think that it is a sham and has no legal basis in law.

Linda is an example of a witness that came forward to us. She was a former salesperson. She was arrested for selling magazines door to door without a license after about three months on the job. After her arrest, she decided to return home.

Although Linda, like all salespeople, had been promised free transportation home, she never got it, and she was flown home only when our office, the Attorney General's Office of New York, intervened and actually paid her way. Eventually, the magazine company agreed to reimburse New York State for that trip.

Edward, a native of California, began working for a magazine subscription when he was 17. During the seven-and-a-half months that he was with the company, he was never allowed to go out alone. He returned home to his family only when the New Jersey police, acting on complaints of juveniles soliciting without a license, discovered that he was a juvenile and a runaway. Incredibly enough, the supervisor for his crew refused to let him go. He told the police that the company, and not Ed's mother, had custody because his mother had signed a parental permission form, a form that the supervisor never was able to produce. Fortunately, the police arrested his supervisor and sent Ed home.

The coercion that is used by these door-to-door sales operations, unfortunately, pays off. Their profits are enormous. Media reports estimate gross sales as high as $50 million annually. Sales people take in as much as $100 per day per seller. The sellers don't keep the cash. Indeed, they are lucky if they wind up with enough money to make it home.

While the crew chief may get a piece of the pie, we suspect that the real profiteer is tucked away in parent companies, which disguise their actual control over the sales operation through layers of supposedly independent contractors.

These schemes are nothing short of theft of the labor and the wages of hundreds, if not thousands, of young people. In the proc-

ess of exploiting these unsophisticated young, these companies violate numerous Federal, State and local laws. First and foremost are tax laws. The companies counsel their sellers not to worry about paying income tax, and they themselves ignore or evade sales laws and income tax obligations. They obtain no workers' compensation insurance. They pay no unemployment taxes, nor do sellers receive unemployment coverage.

They violate State labor laws by making illegal deductions from employees's salaries, by failing to pay commission sales people money earned on a monthly basis, and by failing to give them a regular accounting of monies earned.

They play fast and loose with consumer protection laws by using a false sales pitch and fraudulent chemical demonstrations. They ignore local solictation laws by selling without required permits. They deliberately obstruct law enforcement by ordering their sales people to lie to police if caught, and by giving them false identification cards, aliases, and drivers' licenses to use.

You may be wondering how companies committing such a multitude of crimes manage to stay in business. The answer is that they devise all sorts of sophisticated strategies to avoid getting caught. Not only do elaborate organizational structure insulate the higher ups from liability, but in addition sophisticated techniques, such as using private mail couriers, to serve to avoid charges of mail fraud and prosecution under the RICO. Cash is the favored currency, so that no paper trail is left for tax enforcers.

We in State law enforcement have an especially difficult time because the companies come and go so quickly, and are clever at evading State enforcement. As I said earlier, their first act upon recruiting a new seller is to get them out of the State immediately, often literally within hours of that recruit's initial hiring interview.

Moreover, the companies seldom allow a seller to work in the State in which he or she resides, so that young New York residents who quit and are ready to talk to us can only tell us of violations committed in other States.

To obtain witnesses to violations committed in New York, we have to track down disgruntled sellers residing in other States. Even when we find witnesses to violations of New York laws, they are often very afraid to cooperate—afraid that crew chiefs will track them down and retaliate.

Even if we find witnesses willing to tell us about a particular crew or company, we find ourselves unable to investigate that particular company because it surfaces in New York unpredictably and irregularly, and then for only a few days or a few weeks.

Indeed the companies move their sales crews in and out of localities so quickly that even when we hear of a crew's presence in New York State, we frequently are unable to find them in time, losing precious opportunities to interview witnesses and to subpoena documents.

When police in New Jersey wanted to question an employee of one of these companies in connection with a customer's charge of sexual abuse, they were unable to find him. A company respresentative told them where the suspect was and that he would cooperate, but when the police went to find him, they found that he and

the rest of his crew had simply packed up and left, leaving no clue whatever as to their whereabouts.

While we in New York intend to aggressively pursue our efforts to end the illegal and immoral practices of many of these sales firms, the situation I have described demands national attention. One possibility would be to close a loophole in the Fair Labor Standards Act. Currently, the Act exempts so-called outside salespersons from coverage by its minimum wage and overtime provisions. However these young people are under the near-total control of their employers and should be given the protections accorded to employees rather than being treated like independent sales people. Another approach would be stronger Federal regulations and licensing procedures for these door-to-door companies.

Targeted Federal enforcement efforts under existing statutes might also be effective. Increased involvement of the Federal Bureau of Investigation or Federal tax enforcement authorities in tracking and penetrating these groups to document their illegal practices would be very valuable.

Since these groups are so clearly designed to evade and frustrate state enforcement efforts, strong Federal action is crucial if we are ever going to put these fraudulent and dangerous enterprises out of business once and for all.

Legitimate sales groups have nothing to fear from stronger, better coordinated enforcement efforts. But those unscrupulous individuals who make millions of dollars luring young people into virtual involuntary servitude deserve to be exposed and deserve to be punished. New York State is ready for and willing to help in that effort.

Mr. Chairman, Senator Roth, I want to end by congratulating you on your vigorous leadership when you were the Chair of this committee, and carrying it forward in your present position, and getting the leading majority Chair to join you, and having the total commitment of your entire committee on this important subject.

Senator ROTH. Thank you very much, Mr. Abrams. I want to compliment you for the vigorous enforcement that you are pursuing in the State of New York.

I would like to ask Ms. Meyer if she would like to make any comments, or observations.

Ms. MEYER. I would like to add my voice to Robert Abrams' voice in thanking you for addressing this important issue. We do believe that if Federal enforcement adds its strength to what we have been trying to do in the State of New York, these illegal practices and immoral practices of these groups can be stopped, and young people will continue to have employment opportunities in door-to-door sales, but ones that ensure that they are paid the minimum wage, that their hours are the hours mandated for other employees, and that they are treated as employees in the city of New York and in the United States of America.

Senator ROTH. You propose that perhaps we should amend the Fair Labor Standards Act, and certainly that is one avenue that ought to be explored. But let me ask you this question, from your earlier answer, I am not certain, do you feel that these sales organizations may be liable now under the Fair Labor Standards Act

because they are in effect really employees and not independent contractors?

Do you think that this is something that should be investigated, say, by the Department of Labor?

Mr. ABRAMS. As we read that Act, and we are more familiar with New York State law, but as we read that Act there is an exemption for outside sales people. We think that the elimination of that exemption would enable Federal prosecutors to prosecute. Under New York State law, we think the mere calling of these employees independent contractors is a sham, one that would not remove them from liability as employers under New York State law.

Senator ROTH. So there is that possibility. Unquestionably what you are suggesting is that it would be simplified if we eliminated that exemption that is there now.

Mr. ABRAMS. Absolutely. I think, also, that there are other opportunities in the use of the fraud statutes. There may be thresholds that are a little too high under Federal statutes, $5,000, say, for a single act or sale. But, if we were able to look at this as an overall scheme, and use the $5,000 in that context, then I think we would broaden the authority and the ability for Federal law enforcement officials to clamp down.

Senator ROTH. One of our proposals is to introduce legislation to broaden the Federal criminal fraud statute to include these traveling sales crews. That means that the FBI would have the authority to investigate. Do you think that would be worthy?

Mr. ABRAMS. Absolutely. We know that there are many priorities for the FBI right now with organized crime investigations, and important work being done across the country, but we think that when the youth of America is preyed upon in such a malicious and vicious way, this should also be an area of important work by the IRS, by the FBI, by the Department of Justice, and by every law enforcement Federal agencies.

So we would hope that the inquiry of this committee, and the increased communication of State law enforcement officials with Federal officials will intensify the work of all the agencies in this area.

Senator ROTH. Do you have any idea how widespread this problem is, either with respect to the number of young people involved in this kind of operation, and we do have evidence that these sleazy operations involve, obviously, the magazines, the publishing business, the home cleaning products, but are there other industries involved in this kind of an operation?

Mr. ABRAMS. Senator, it is difficult to precisely pinpoint how many companies there are in the country, and how many youngsters may be involved. I think that it is not an exaggeration to contemplate—We know of several dozen. We have a number under investigation by our office right now. Subpoenas have been issued, statements have been taken.

There may well be more than 100 of such companies involving thousands, or tens of thousands of young people. The crews can vary, anywhere from 5 to 25 youngsters under the leadership of a crew chief. So it is difficult for us to precisely quantify what is happening. But my assessment, based upon what I have been told and what I have read and learned about the subject is that this is a nationwide scandal.

It is a severe problem. It justifies the time of this committee to review the need for Federal legislation, the need for Federal enforcement. It has already devastated the lives of lots of young people, the verbal abuse, the humiliation, the physical and sexual abuse that has been perpetrated on young people. It is rather clear that their lives will never be entirely pure, or the same again for them.

The sooner we get a handle on this, crack down, prosecute and put them out of business, I think the quicker we will redeem thousands of our young people all across the country.

Senator ROTH. In other words, there is no question that it is widespread, and we should approach it from the national as well as the state point of view.

Mr. ABRAMS. Absolutely. The whole scheme and effort here is to move from one State to another State, from one community to another community quickly. We have been in contact with a number of States already and there is no question in our mind that this is a nationwide phenomenon.

Senator ROTH. The problem of mobility seems to be the key to this operation.

Let me ask you this: how many cases, civil or criminal, have you actually been able to bring against these crew leaders or companies who contract with the crew leaders?

Mr. ABRAMS. We have important investigations underway now. Subpoenas have been issued. We have important statements that have been taken. We are hopeful that this will lead to actual prosecution. But, as has been underscored today, it is very difficult for individual States to really get a handle on this quickly because there is, by calculation and design, the desire to escape local prosecution.

Recruitment takes place in one community, or in one state, and then the young people quickly are moved to another State. When they join the crew, they are only going to stay a few days, and move on to another community. When the report gets in to the local police chief, or the local DA, or the Attorney General's Office, by the time there is the follow up, they are not around any more. You find that the motel records reflect that they left ten days ago, or two weeks ago, or a month ago.

That is why the weaving together of a nationwide network for informational flow purposes and prosecutorial ability becomes critically important. The sharing of this information by local and State prosecutors with our Federal brethren will be of critical importance, so that the local prosecutors will be able to gather enough evidence to make the case locally, and the Federal prosecutors will be able to make their cases also. This will provide the kind of sanctions and law enforcement ability that we have been talking about here.

Senator ROTH. I am going to ask the staff of the subcommittee, on both sides of the aisle, to get together with your people, because I think it is important that we establish the means for that exchange of information.

As I see the problem, as you have already pointed out, it is the mobility. The fact is that they move in and move out. They skirt around the law very carefully so that it is extraordinarily difficult

to prosecute them. It does seem to me that we have to set up some kind of an exchange of information between the States, and the States and the Federal government. This would be a step forward.

Mr. ABRAMS. Sure. For example, they escape the reach of the State in one instance, and then are found in another State. If we have the Federal statute of the kind that we are talking about, the companies may well have arrived at the threshold for Federal enforcement, and information provided by the State will enable prosecution to take place.

Senator ROTH. Let me raise one question that bothers me, and that is the fact that the magazine publishers don't become more involved. I understand that there are several levels between them and the ones that do the selling. I understand that it probably is only a small percentage of their sales. Nevertheless, as a group, they have been highly successful in investigating these kinds of sleaze problems. But it does seem to me that this is an area where they have a special responsibility.

They can't be like Pontius Pilate and say: We are not selling directly. They are taking the benefits of what I consider a sleazy business of exploiting our young, and using slave labor for their own purposes. Isn't there something that they, individually or as a group, could do?

They have the ability of bringing that problem to the attention of the American people, and I think that this is fundamental.

Mr. ABRAMS. Yes. I think that this is worthy of exploration.

This might be the subject of some discussions that our respective staffs could have. Perhaps we can invoke the knowledge and cooperation of magazine publishers to, if nothing else, print some stories in their magazines about some of these abusive situations and practices. Beyond that, perhaps the publishers could give us insight and help in cracking down against those that are unscrupulous, that prey upon the innocent youth that we are talking about.

Senator ROTH. I would like the staff to explore that with you. We could do it jointly, and it would be worthwhile. I don't think that anybody can afford to play Pontius Pilate in this area, and I fear that this is a little bit what is being done.

Let me ask you: Have you contacted the Federal government regarding this problem? If so, what agencies, and what kind of a response did you get?

Mr. ABRAMS. There has been contact with FBI agents with respect to this issue, and the Internal Revenue Service, as well as the Department of Justice. One thing that we might contemplate, as we move forward with this, is the information of specific task forces to ensure coordination in other areas of activity—fighting organized crime, drug interdiction. These kinds of task forces of local, State and Federal people have been highly productive and have paid off.

Perhaps what has happened today is sort of informal. Perhaps we should be talking about formalization of this kind of information sharing in the future.

Senator ROTH. I think that this would be valuable because they are just skirting around and even violating many laws other than local, some of them State, some of them Federal, but because of their mobility, it is extraordinarily difficult to pin them down.

What kind of cooperation are you getting from other States? Have you given any thought to the desirability of trying to develop some kind of model statute for the States to be able to deal with this problem?

Mr. ABRAMS. Yes. First of all, we have had communication with other States through the National Association of Attorneys General. I don't know whether any talk about model State statutes has taken place.

Carlin tells me that she is working on a model State statute. What progress has been made in that area?

Ms. MEYER. We have early drafts at this point of an approach to this problem. It is, as you know, a very difficult problem, in part, because we do not want to impinge on door-to-door sales operations, which are legitimate, or where the sales people are genuinely independent contractors. People who sell Avon products are typically on their own, individually, as have people whom we have for many years known as the Fuller Brush men.

We want to be sure that approach that we use is narrowed and specific. We are fairly far along. We have two possible approaches, and we want to share them with some other States. We would be happy to share them with this committee.

Senator ROTH. We are also planning to introduce legislation that would require the crew leaders to provide all agents with itemized written statements of earnings so that they are accounting for all deductions. It would also require that at the time of recruitment that the agent be given complete written disclosure of the terms and conditions of employment, with a three-day waiting period in which to accept the employment.

Mr. ABRAMS. That sounds very good, Senator. I would suggest that perhaps it ought to go even further, that it not just require disclosure of this information, but that it prohibit the deductions from those wages of the kinds that we are talking about such as the fines.

Senator ROTH. Are the fines legitimate or legal?

Mr. ABRAMS. Not in my view. It seems to me that there should be mandatory payment for the work, the effort that has undergone in the employee/employer relationship.

Carlin, isn't that specifically the formulation in the New York law, that it is barred to have that kind of deduction made. The first obligation of the employer is to pay the employee for the work that has been done.

While I think the requirement of disclosure is helpful to ferret out about this information, I think the absolute bar of the kind of practices that we have found here would be helpful.

Ms. MEYER. New York State law does prohibit illegal deductions from the wages of employees. We do believe that because these youngsters are under the total control of what we consider to be an employer, they are employees, and deductions from their wages can only be made for the benefit of those employees, and only where specifically authorized by them in writing.

Fines for lateness to meetings, for improper behavior, would be absolutely barred, if we are ever able to catch them and go each step to the prosecution, that is one of the elements that we will be using.

Senator ROTH. It does seem to me that you want that to apply not only in the case that they are found to be employees, but even if they are legitimate independent contractors, the same rules ought to apply to them.

Mr. ABRAMS. There is a stronger basis, I think, when it is the direct employer/employee relationship. But certainly, there is no bar or prohibition to write that into the law as it relates to independent contractor relationships.

Senator ROTH. Mr. Abrams, and Ms. Meyer, I want to express our appreciation for your taking the time for what I consider to be an extraordinarily important problem, the protection of the youth, and retaining the opportunity for a meaningful job in this area. We look forward to working with you, and thank you for being here today.

Mr. ABRAMS. Thank you, Senator.

Senator ROTH. I next would like to call forward three former door-to-door sales agents, Mr. Jeffrey Medved, Barbara McKnight, and Rebecca Fox.

We had hoped to have R. Lee Bradby with us this morning, but he was unable to travel to Washington. His prepared statement, including other material, will be placed in the hearing record.

It is unfortunate that Mr. Bradby could not be here today because he spent almost two years on an Ultra Kleen crew, and his statement includes come compelling personal testimony. His statement will be helpful in questioning the other witnesses today.

As you heard me say, we swear all witnesses. Please raise your right hands. Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MEDVED. I do.

Ms. MCKNIGHT. I do.

Ms. FOX. I do.

Senator ROTH. Thank you. Please be seated. I want to thank each of you for being here today. I know it is inconvenient. I know that it is not the most pleasant event to have to appear before this kind of a panel, but I think that your testimony can be extremely helpful. I want to express the appreciation of this subcommittee for your willingness to testify.

Mr. Medved, why don't you start.

## TESTIMONY OF JEFFREY R. MEDVED [3]

Mr. MEDVED. Mr. Chairman, my name is Jeffrey Medved. I live in Easton, Maryland, and I am 21 years old. I worked for a traveling door-to-door sales organization in March and April of 1985.

In March, 1985, I saw an ad in the "Help Wanted" section of the local newspaper looking for people who wanted to travel throughout the United States.

The ad did not specify what type of work the job would involve. I called the number in the ad, and asked what the job was. I was told that this could not be discussed on the telephone and that I should come for an interview in person.

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[3] See p. 145 for Mr. Medved's prepared statement.

When I went that afternoon to the local hotel, Juanita Carlson interviewed me. She told me that the job involved traveling across the country, staying in nice hotels, being with a group of people, having a two-week expense paid training period, and free transportation home if I decided to leave the company.

She said that I could earn $300 to $350 per week. She said I would be selling magazine subscriptions, but she termed it "renewing subscriptions for clients." She did not say anything about door-to-door sales, and it did sound very appealing at the time.

I was told that I could have the job if I was willing to leave at 5 o'clock that evening. I accepted. Because I had to leave immediately, I really had no time to think about what was happening, or seek information from friends and family.

We drove up to a motel in Jessup, Maryland, and I joined the Vincent Pitts Sales Organization, which collects orders for Circulation Builders of America in Fort Worth, Texas. Mr. Pitts was the manager of the group. They also had junior managers named Bob Bond and Bob Cecil, and car handlers.

I signed a document that said that I would be an independent contractor because they asked me to, but I now know that that is not correct since I became dependent on the company for all my living expenses.

At first, the job seemed okay. I liked being away from home and traveling with a group of people about my age.

The sales agents put in long days and worked very hard. We had to wake up early, attend a morning meeting, knock on doors about ten hours a day, and after check-in and a group dinner, usually at McDonald's or some sort of fast-food restaurant, the low sales agents had to attend an evening meeting that ran from an hour to two hours to review their sales pitch.

We had to work six days a week. On some Sundays, we were supposed to have a day off, but we most of the time traveled usually that Saturday evening until Sunday morning, and we didn't get out of the van; we stayed in the van in the hotel parking lot until check-in time.

I don't mind hard work, and I am not afraid of it, but I do it only if I am going to be paid for it. The only money I ever received was a nightly allowance of about $7.00 to $12.00, sometimes with a bonus on Saturdays. I had to use this money for all of my living expenses—food, personal items, and laundry. My hotel expenses were automatically paid from my account on the books.

Once I asked for additional money, but I was told that I had to maintain $200 on the books to cover cancellations before I could get any more. The company kept these accounts, and I was never quite sure how much money they kept. I was allowed to quickly see my account once in a while, and I would sign my name. But it was very confusing, and I did not really understand the figures. I never received a copy of my account.

I know that the company was deducting my nightly allowance, my hotel expenses, cancelled orders, and fines for such things as being late to meetings from my account. I was sometimes in debt to the company, but I knew at the end I had some money coming to me.

Another thing that disturbed me was the treatment of the agents. I twice saw one of the Junior managers, Bob Cecil specifically, strike sales agents. One time, he punched a woman during a dispute between them, and she was very badly beaten. Another time, he punched a man who had not made a sale. I heard that other sales agents had been beaten, but these were the only two incidents I personally witnessed.

There was a good deal of drug use on the crew as well. At times, these drugs were supplied by the car handlers. One car handler would reward high selling agents with marijuana cigarettes, or a few tokes off of it.

As far as I know, the company never obtained required permits to solicit, and a lot of times we were arrested because of it. I never was arrested myself, but I was stopped several times by the police and told that I needed a permit. Sales agents were told that if questioned by the police, you are not to disclose the name of the car you are in, the name of the hotel where you are staying, or the name of Vincent Pitts.

Everything on the crew was sales. The number of sales often determined who would sleep on a bed, and who would sleep on the floor if the room was crowded. Every morning there would be a meeting at which sales agents would constantly repeat their sales pitches. If you made a mistake during the spiel, you had to do jumping jacks in front of the company.

Various techniques were used by the managers to encourage more sales, such as verbal abuse and embarrassment. We had to work in all kinds of weather and even if we were sick. We were expected to be constantly enthusiastic and cheerful. Negative talk was not permitted.

You might wonder why I didn't leave the company sooner. It is hard to explain. I had a lot of pride, and I did not want to go home without any money, especially after my mother's initial suspicions about the job. But even more, the combination of long working hours, lack of sleep, fast food, financial dependency, intense pressure to make sales, verbal abuse and fear of physical harm really got to me. Agents who wanted to quit were discouraged from doing so, and not permitted to discuss their feelings with any other members of the company.

I finally decided to leave. When I told this to management, they first tried to dissuade me, but then said I was not to speak to anyone in the company, and I was not to attend the morning meeting. Word got around anyway that I was leaving, and one of the car handlers told the other agents that I was "scum" and a "low-powered agent with no will."

I had to sign a document saying that the money in my account would be held for some period to cover cancellations, and then whatever was left would be sent home. I did receive a bus ticket home, but other than that I didn't get any other money from the company.

I wanted to testify today because I think there are a lot of weak and scared people out there who are being taken advantage of by these companies. I want to warn others, and I hope that something can be done to stop these practices. I am sure most Americans would be shocked by the type of modern slavery that is going on in

this country in the Suburbans and station wagons in their own neighborhoods, and they could be carrying their own children.

Thank you, Mr. Chairman. I would be happy to answer any questions you have.

Senator ROTH. Thank you for your testimony.

I think what we will do, we will let all of you testify first, and then we will ask you a few questions.

## TESTIMONY OF BARBARA McKNIGHT [4]

Ms. MCKNIGHT. Mr. Chairman, my name is Barbara McKnight. I am here to tell you about an experience that in some way I would rather forget. But I think it is important to tell you so that other young people will understand what they are getting involved in when they join a traveling sales crew.

I was working at a door-to-door sales agent for TICOA, a San Antonio, Texas, company in early 1986. I was 18 years old at the time. I am now 19. I answered an ad in the local newspaper in Port Angeles, Washington, that promised travel to exciting places and the ability to make lots of money.

I went to an interview at a hotel. Jerry and Dora Cooper, who managed my crew, called "The Challengers," interviewed me. They showed me pictures of agents in Paris, Hawaii and Rome. Dora said I could go to these places too if I worked for them. All I had to do was sell magazines door-to-door.

She said I could make all kinds of money, that I would be guaranteed $10 a day allowance and a laundry allowance, and we would travel all over the place. I love to travel so I jumped at the chance. The Coopers hired me and told me to return to the hotel the next day, ready to leave.

The day after my interview, I returned to the hotel.

The Coopers were not there, but two men drove me and another new agent to Tacoma, Washington, to another hotel. The Coopers were not either. I later learned that they were at the police station bailing out almost half of the crew who had been selling without permits.

I was taught to do anything to make a sale. Our basic sales pitch was that there were 100 kids involved in a contest to win trips, and I was to say that I was the Washington representative. We were supposed to tell every customer that if only he or she would buy a magazine, we would win a contest. There were a lot of other lies, too.

I remember telling customers that magazines came in Spanish editions when I knew that this was not true. I would find out the customer interests, and then tell them that particular magazines were devoted to these interests when I knew that this wasn't true. We would tell college kids that we were not as lucky as them, and that we were working our way through college.

These practices were encouraged by managers, who said to do whatever it takes to sell a magazine. One time, I told Dora Cooper I had not been able to sell a magazine to a cute boy, and she asked me why I hadn't slept with him.

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[4] See p. 152 for Ms. McKnight's prepared statement.

I hope you understand that I am not the kind of person who usually lies to people. I am not proud of what I did. But there was something about the group and the way we all were that changed me.

Every morning, we would have a sales meeting at 8 a.m. We would then go out in the cars, eat breakfast, and be out on territory by 10 or 11 a.m. Most of the car handlers would stop at a minimarket so we could buy candy bars, but that was usually the only lunch you had. The last pickup was at 7:30 or 8. We would get back to the hotel at 9 or 10, check in, get our draws and eat dinner.

Then we had to attend another meeting at 11. If Jerry came to the meeting, it would last about an hour. We did not have sales meetings on Wednesday or Saturday nights. If we traveled, we were usually still on the road Sunday morning, and would use the rest of the day to unpack and do our laundry. We would have a meeting on Sunday night to learn about the new area. As you can see, we worked very hard, and did not have much time for ourselves.

The only money I ever got when I was with the crew was $10 a night. I had to use this money for all my meals and for all my personal needs, including laundry. It was not enough money. I once asked for an additional $5 to get my hair cut, and was told to take it out of my $10 a night. One time I was sick and did not go out to make sales. When I asked for my money that night, I was told I didn't work, so I wouldn't get paid. Luckily there was a kitchenette in the hotel, and two of my friends bought food and made dinner that night.

I am not a bad person, and I am not a thief, but one time I sold a magazine for cash, ripped up the receipt, and used the money for shampoo and toothpaste. I know that other agents did this too, because they just didn't have enough money to eat and buy other things they needed. Lying to customers and ripping up that receipt always made me feel awful.

I was not the greatest sales agent in the world, but I did make sales, and I was supposed to earn a commission. I have no idea how much I earned because I never saw my account. I asked the Coopers if I could see it, but I was always told "later" or they would change the subject. All I know is that when I left, they showed me a piece of paper that said I owed the company $400. I know that they deducted my hotel and fines for being to meetings.

Many things happened on the crew that really disturbed me. I saw Jerry push people, and he once pushed me around when I told him I couldn't sell magazines. A car handler once slapped me for asking an innocent question.

We were told to stay away from the police and to try to get into a customer's house if we saw a police car. This attitude made me afraid of the police. We were not supposed to tell anyone what hotel we were staying in, and when we traveled, we never know where we were going until we got there.

There was drug use on the crew. Some of it came from the outside, but some of it was also supplied by a manager. One of my car handlers once told me to check if customers had any drugs to sell. While I was on the crew, several of the agents had their IDs stolen on different occasions.

They really know how to manipulate your feelings. Everyone had to act positive. You were never allowed to say "I can't." We were told that we could do whatever we wanted, but I know now that we really did only what they wanted.

One time, I begged Jerry and Dorea to let me leave. They told me that I would be letting everyone down. If I couldn't handle this job, I couldn't handle anything. If I was a failure, my mom and friends wouldn't want me. They, the Coopers, had put so much into me.

I ended up crying, because I felt I was letting Jerry and Dora down, and I even helped them hire someone that day. They also told me that they couldn't afford to send me home that day, but I know this wasn't true because the Coopers appeared to be very wealthy.

I finally decided I had to get out. I just couldn't handle lying to people anymore. We were near a college town, and I did not want to lie to the college kids. Jerry said I couldn't have sympathy for them. So I just stopped making sales and refused to get out of the car. This worked, the Coopers fired me. I was in Arizona, and the bus trip back to Port Angeles took about 30 hours. They paid for my bus ticket, but $5 that I already had was all I had to eat during the trip.

The adjustment since I have been out has been hard, and when I see a white Suburban with a Texas license plate like the one my crew rode in, I still feel scared. Once, just before I was going to be on a television program to talk about my experience, I received a telephone call from one of the other crew managers, who was in Illinois at the time, where I am now living.

He told me to come back and he would give me a car and my own crew. This was strange because, as I said, I was not a very good sales agent. Although it could have been a coincidence, this call made me afraid, and I did not appear on the show.

I admit that I am also nervous speaking to you today, but I am doing it, because I want people to know that these crews treat their sales agents badly and rip off people.

If you have any questions, I would to glad to try to answer them.

Senator ROTH. Thank you. We appreciate very much your being here.

Now we will go to Ms. Fox. Again, if you could pull the microphone closer and apeak slowly.

## TESTIMONY OF REBECCA FOX [5]

Ms. Fox. Mr. Chairman, my name is Rebecca Fox and I spent approximately four months in 1984 with Horace Robertson's sales crew. I saw an ad in the newspaper in May, 1984, in West Virginia, and I was interviewed by Barbara Hilton, who is Mr. Robertson's secretary. She talked about making lots of money and the job seemed attractive. I immediately joined the crew.

I saw my account once during my three months with the crew, when I asked Mr. Robertson for money to get a new pair of shoes.

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[5] See p. 159 for Ms. Fox's prepared statement.

He gave me $30 and took out my account sheet and put the $30 down on the sheet and told me to initial the sheet, which I did.

I asked Mr. Robertson about five times if I could see my account sheet, but he would always come up with an excuse not to show it to me. The $30 for the shoes was the only extra draw I asked for. The only other money I received was my nightly draw, which depended on my sales for the day.

I usually got about $6 to $12 per might but there were several times when I didn't do well on sales and I got no draw. On these occasions I would get some money from friends on the crew so I could get something to eat. I lost a lot of weight while I was with the crew as did other sales agents.

Senator ROTH. Let me interrupt to make sure that I understand this. You are saying that there were days where you made no sales, you were given no draw, and you had no money to eat.

Ms. FOX. That is correct. On these occasions, I would get some money from my friends on the crew so that I could get something to eat. I lost a lot of weight while I was with the crew as did other sales agents.

I met Jeff Fox, whom I later married, on the crew and we became friendly and would see each other at night, maybe for a pizza or just to talk, even though this was against the fraternization rules set my Mr. Robertson. At one sales meeting, Mr. Robertson told us that if we broke this rule, the guys would be fined $500 and the girls would be fined $300. This meeting took place in Alexandria, Virginia, after a sales agent named Sumpter beat up one of the girls on the crew.

I saw people beaten up by Ray Martin and people threatened by Martin while I was with the crew. Martin was a car handler and an ex-marine. One time in Odenton, Maryland, he slammed a door on one agent's hand, whose name, I think, was Pisaferraro, during a fight and I think he broke his hand or his fingers, and they wouldn't let him go to the hospital so I tried to bandage his fingers for him and then I got into trouble for that. About ten agents saw this fight. Todd Lancaster tried to break it up and Martin pushed him around as well.

When the crew was in Washington for the July 4 Beach Boys concert on the mall, Ray Martin started a fight with Steve Lazar and beat up Lazar's ear badly because Lazar locked some keys in a car. I never saw Mr. Robertson hit anybody and I don't know if he knew about Ray Martin's assaults.

The girls on the crew would get threatened if sales weren't good. I recall that one time I was threatened by Martin and Jeff came to my defense and told him not to do anything to me.

I have gotten a bunch of hospital bills from a car accident in July, 1984, in Alexandria, Virginia, while we were out on territory, and I had to go the hospital because I hurt my knee. Mr. Robertson said he would take care of the bills, but he didn't because they keep sending bills to my mother's address and now they are threatening to hire a collection agency to get the money from me.

After this accident, I was on crutches for three or four weeks, but I had to go out and sell every day, even though I wanted some time off and my knee was very swollen and hurt quite a bit. But at the sales meetings run by Mr. Robertson, the car handlers all told

me to get out there and give it a try and don't let everybody down. I probably made a bunch of extra sales at this time because people felt sorry for me, and for Mr. Robertson this was even more reason to send me out on territory.

I was stopped twice for soliciting without a permit on the same day when we were in White Plains, NY. I thought that the car handlers took care of the necessary permits. The first time, the policeman just let me go with a warning, but later that day, the entire car was arrested and we didn't get out of jail until 2:00 a.m., or maybe earlier. I have never been in a jail before.

I tried to leave the crew two or three times, and I asked Mr. Robertson for a bus ticket home. Each time, he said, "We will see," and he would take care of it tomorrow, but it never happened. I knew that the same thing happened to a lot of crew members who wanted to leave. Mr. Robertson would always manage to put them off.

I finally left along with Jeff in White Plains, NY. I was ready to leave anyway and I had my bags packed and I had gotten an extra hotel room key because we were not supposed to have our own keys. But we ended up getting some help in leaving.

It started on August 6, 1984, when Jeff and I called several times to speak to Jeff's mother in Maryland and wish her a happy birthday. We also wanted to let her know that we were having problems and wanted to leave, but one of Mr. Robertson's people would always be with us at the phone so we had to just give yes and no answers.

Jeff's mother knew that something was wrong, and she apparently told Jeff's two brothers, Terry and Paul, to drive up to White Plains and get us, and not to come back without both of us.

When I came back from Territory on August 7, I walked into the hotel lobby and saw two guys who looked quite a bit like Jeff. I had not met his brothers yet. Before I could do anything, some crew members, along with Joe Robertson, Horace's brother, came up to me and told me to stay away from those guys.

I went over to them anyway and I found out that they were Jeff's brothers and I told them that I wanted to leave. Joe Robertson came up to me again, and told me to stay away from them and go up to my room. Then Jeff came in and everything seemed to bust loose from that point on.

We went to the meeting room to see Mr. Robertson and told him we wanted to quit the crew. He said he would get us bus tickets tomorrow, and Jeff told him he didn't need any transportation because his brothers were there. I said the same thing, and Mr. Robertson tried to talk me out of leaving. Then everybody in the room, like Mr. Robertson and his brothers, started yelling at Jeff, telling that he could go, but he couldn't take a good sales agent with him.

Then Marie Martin, Ray's wife, took me up to Barbara Hilton's room. Marie was there and Barbara and three other women. They tried to talk me out of leaving. They said that we were not on the crew to meet guys, we were there to make sales. I was in tears by now.

After about half an hour, another girl came into the room and said that Jeff had left and he said that I wasn't worth waiting for. I

thought this was a lie, and it was, but I was in hysterics by now and all confused.

I tried to get up and leave once, but they made me sit down and sign some papers. Then I got up to leave again, and they wouldn't let me. I broke free and ran down to the elevator but Marie Martin was holding the doors open so the elevator couldn't move. So I took off down the stairway, praying that nobody would be waiting for me on the first floor.

I could hear everybody else behind me, and when I got to the first floor, I went through a back door, and into an alley, since I was afraid that Mr. Robertson or somebody with him would be around the front door. But they caught up to me outside and held me against the wall.

Then an ambulance drove up and two men got out of it and asked if I needed any help. I told them that these people were not letting me leave and the ambulance drivers threatened to call the police; they let me go.

The ambulance left, but just then I saw Jeff down at the corner and I ran to him. I was so scared at this time and not sure what was going to happen next. His brother Terry was there, and he told me to hide across the street behind a car, which I did. Jeff or his brother called the police who were there in a few minutes.

When the police arrived, I came out from behind the car. I explained the situation to the policeman and told him that my bags were packed and in my room. He took me to the hotel lobby and checked with the front desk to make sure that my room had been paid for and they told him it was. Then, he escorted me to my room.

I remember the other crew members looking at me as I walked to my room and asking me what was going on, but the policeman said I should just keep walking and get my bags. After I got my bags, the policeman made sure I was in the car with Jeff and his brothers, and he made sure that we were on our way to Maryland.

The only other contact I have had with Mr. Robertson since then was when I received a $112 check from him with a note that my balance of about $100 would be forthcoming, but I haven't gotten any more money.

I really believe that I had more money owed to me because I remember when Barbara Hilton interviewed me, she said all of our room and board expenses would be taken care of and we would earn the commission on our sales. I had no idea that our money would be put on an account and deductions would be made for motels and meals. I know that Jeff was interviewed separately by Hilton and he came away with the same impression.

All I can say in closing is that those three months were the worst experience of my life because I was deceived and taken advantage of by Mr. Robertson and his people.

I would be glad to answer your questions.

Senator ROTH. Thank you, Mrs. Fox.

I would like to start out by asking several questions of each of you.

When you were interviewed for the job, why didn't you ask more questions about the job before you accepted it?

Mr. MEDVED. I did ask more questions about, but she avoided answering those questions. She stressed that it was going to be a lot of fun. You are going to travel, see all kinds of great places, stay in nice hotels, party all the time. You will make friends. She would be working with me.

I asked her about how much does it pay, and she said: It depends on how much you bring in. She handed me a paper that I was supposed to take home to parents that said: You will be making anywhere from $200 to $250, and she crossed that out and she wrote $300 to $350 in there.

It sounded like a really great job. I lived in a small town, and I wanted to get out. I had been to the University of Maryland. I liked living with a lot of friends. I liked getting out and around large metropolitan areas, and this seemed like a great job.

Ms. MCKNIGHT. When I talked to Jerry and Dora, I talked to them for half an hour. They showed me pictures of kids in Hawaii, pictures of kids in Paris, and I love to travel. She just made it sound like we could make thousands of dollars, travel all over the world, meet lots of new people. This was candy-coated, and they made it sound so good, I thought why not.

Ms. FOX. I talked to Barbara Hilton at the place where she interviewed me. She made everything else sound so good that it sidetracked me from asking anything about what you made. I like to travel and I like to be around a lot of people, that is really what sidetracked me.

The way she explained it, she made it sound like we were going to make a lot of money, see some nice places, and stay at some nice hotels, and that all sounded very attractive to me.

Mr. MEDVED. Mr. Chairman, if I may add, all the car handlers, at least in my company, are sales agents who have succeeded, people very good at doing their spiel. We had five spiels. These people are very good at it. If you can go to a house and knock on a door and get someone to pay four or five times the price of an average magazine subscription to you, and they are not going to think twice about it, then it is pretty easy to get somebody who wants to get away from where they are going, if you flash it in their face. You give them spiel, then they are gone, just like she gave it to me, and I was gone.

Senator ROTH. Do you think it would be helpful if we passed some kind of legislation requiring the recruiters to set down in writing the specific terms and conditions of the job to give the potential sales agent; would that help?

Mr. MEDVED. If had been given one, I would not have taken the job.

Senator ROTH. What about you?

Ms. MCKNIGHT. I agree.

Ms. FOX. The same with me.

Senator ROTH. Do you think that it would be helpful to have legislation requiring a three-day waiting period between the time you are offered the job and accepting?

Mr. MEDVED. Yes. I was hired, and I got out of the hotel at about noon. She told me that she would drive by my house at 5:00 p.m. to pick me up. If I was no show, there was no go. I just had enough time to say goodbye to one friend, drop by to say goodbye to my

mother at work, pack my stuff up and be waiting. My mother wanted to say goodbye to me, but I didn't have that much time to really talk to anybody or to think about it. I had to get ready to go.

I didn't have time to say goodbye to my grandparents. I didn't have time to say goodbye to my friends, and they weren't too happy with me when I finally came back from that situation.

Sometimes I wonder why I took the job. I am a reliable person with common sense, and it just doesn't make sense in retrospect. I am sure that if I had talked to some people, I would have been talked out of it.

Ms. MCKNIGHT. Three days after I got in, I wanted out. If I would have had time to think about it, I would have had time to think that you are going to work all day, you are going to sell magazines door-to-door. Even if you do travel, you are not going to have time to see much. I travelled to some nice big towns, but I always saw the worst side of those.

I think that if they had to wait for three days before they could leave, they would have more time to think about it.

Ms. FOX. When Barbara Hilton hired me, she only gave me six hours to get together everything. Once I got to the hotel, they just took up and left. I didn't get to say goodbye to my mom and dad. They were talking to the police wondering where I was. I didn't get to call them until three or four days later to let them know where I was.

Senator ROTH. This is typical for those who were hired?

Ms. FOX. Yes. The second I was hired, it was like, you come back here at 6 o'clock, and we will take off to wherever. They just gave you a short enough time to get everything together.

Senator ROTH. Let me turn to another area. I think one or more of you testified that you really did not have much information with respect to your personal account, what your earnings were or your deductions were.

Let me ask you, Mr. Medved, why didn't you ask more questions if you didn't understand?

Mr. MEDVED. About the account?

Senator ROTH. Yes.

Mr. MEDVED. Let me explain to you how you got to see your account. At the end of every day, you had to fill out all the sales that you made on a card, and then wait in line outside of Mr. Pitts' hotel room. One at a time, we would go in, hand him the sales for the day, and he would give you a draw. On a rare occasion, you would see your account, which was kept by his girlfriend, or I don't know who she was.

You would go in, take care of him, and then go to her, but there is someone waiting right behind you, so you have to move on. You don't understand it, but Fred is back here, he is hungry, and he wants to go. I was hungry. I had been out ten hours that day. I want to go out and eat, and get back to my room and relax.

I really didn't want to look at the books. They verbally stressed that. The word around was that the books are kept perfect. I never really got to look at them. I knew that something was wrong because I was making my sales, and I just wasn't making any money.

Senator ROTH. Is that fairly typical of the other agents, too?

Mr. MEDVED. Yes.

Senator ROTH. Were any of them making money?

Mr. MEDVED. Everybody made money. The only money I ever saw was the nightly draw. Depending on the sales you made that day, that determined what your draw would be. A minimum being $7 to $20 for large sales. I made nine sales on my second day, which is really fantastic, evidently, and I had a $20 draw that night, and the next day I won a bonus for it.

Ms. MCKNIGHT. We were not allowed to see it. They had a portable computer that they took with them. Whenever you walked in, if one of them was working on the computer, they turned it off. There were a few people they trusted. The car handlers got to see their records, but the car handlers would never tell you anything.

We got a basic draw, a $10 draw, every night unless you hadn't worked. It depended on how many magazines you sold during the week. Sometimes people got $20, $30 or $40 draws on Saturday night. I never got any more than $10.

I asked questions. I asked questions all the time. I wanted to go shopping, and they wouldn't give us any money. Half the time, they would say that they didn't have the extra money to give. They were very strict about the records.

Senator ROTH. Did you ever collect anything more than the $10?

Ms. MCKNIGHT. No.

Senator ROTH. Ms. Fox.

Ms. FOX. At the end of the day, we were kept out 10 to 12 hours, sometimes longer, and then we would come in and you would have to do your accounting sheet break down by yourself. You get in line, and you turn it in to Mr. Robertson, or whoever was taking them in, then if you didn't make any sales, you didn't get any money.

I think the most I ever got at one time was maybe $16 to $24, because I did pretty good one day on sales. Other than that, I didn't do maybe over $6 to $8. He would hand us the draw, and that was it. We were all too tired and too hungry to even think about it at the end of the day. The only time I ever saw my account was when I asked for the $30 for my shoes. He took out a sheet, and he told me to initial the side where he wrote the $30 down.

Senator ROTH. You talked about physical abuse. Why didn't you or other sales agents report such incidents to the police?

Mr. MEDVED. First of all, the whole line of thinking in the company was that the police are the bad guys, if you were ever stopped by a policeman. I was questioned but I was never arrested. I was told to get out of the neighborhood. I went back, and I told them that I was stopped by the police. Immediately, Mr. Cecil said, "Shut up. I don't want to hear about it. Don't talk about it." The word in the company was, the police officer is someone you don't want to deal with. If you are stopped by the police don't reveal anything.

Secondly, I never really had the opportunity to call the police. There was always somebody around. I personally felt that it was something that should be done. Everything was handled through the company. When the beatings went on, he was the big man who was like the father of the family.

I didn't feel free to call the police. If I did call the police, they would have had to come out to the hotel, and that is one of the three things that you don't tell the police, where the hotel is. If

they came to the hotel, how am I going to stay out and talk to them. It was very difficult, and it wasn't encouraged. It was discouraged.

Senator ROTH. In the daytime, you were on your own.

Mr. MEDVED. Yes, I was on my own, but, no, you didn't leave territory. If you were found off-territory, you asked for it. I never left territory, but some people did leave territory, and they got chopped pretty good for it. We were never near a phone, for that matter. I guess I could have knocked on someboday's door, borrow their phone for a minute, but I never did anything like that. It was more important that I should go out there and make sales than stop and help somebody else out, because I had to keep myself going.

Senator ROTH. Ms. McKnight, you said that a car handler once slapped you. Why didn't you report that assault to the police?

Ms. MCKNIGHT. I felt that it was my fault. When you are in the car, you are allowed to talk, but you are not allowed to talk about the territory you have been on. The incident was that he was driving through some territory that a friend of mine had worked the night before, and he was going to drop some more people out there, and I was asking him to drop me off in another territory, and he turned around and slapped me. It was like I felt I did something I shouldn't have.

I told Jerry about it, and he didn't do anything about it. I told the kids, and they said, well, it happens all the time. I just didn't think about it. You don't have time to call the police. They made me scared of them. I was stopped a few times——

Senator ROTH. They made you scared of the police?

Ms. MCKNIGHT. Yes. The police was like the enemy. You are always afraid of being arrested because you know that you don't have the permit, and who wants to get arrested and be thrown in jail for soliciting without a permit. I was scared of the police anyway, and I have never done anything to have to deal with them.

I felt it was my fault, the reason I got slapped. I don't now, but at the time I felt that I had done something that I should not have done.

Senator ROTH. Do you have anything to add?

Ms. FOX. There were a lot of times when I say people get hit badly, and I would have liked to have called the police, but I was more afraid for myself or maybe some of my friends that I had really gotten close to. There were a lot of nice people on the crew I didn't want anything to happen to them or me. It was pretty scary at times.

Senator ROTH. It was a question of fear.

Ms. FOX. Yes, it was fear.

Mr. MEDVED. Yes, Mr. Chairman. Friends of mine questioned Mr. Cecil. Bob Cecil is a car handler and junior manager. I recollect him telling a story that out in California, they deal with this all the time. They don't usually arrest you. They usually take you out to the middle of nowhere and drop you off alongside of the road, and they make you walk back from wherever you are.

It was just built up that the police don't like dealing with us, so it was just best to stay clear of them.

Senator ROTH. Ms. McKnight, were you ever subjected to sexual harassment on your own sales crew?

Ms. MCKNIGHT. Yes. Our magazine crew had what was called a "Two-Leaf Bonus." The car handlers would take girls out on a dead-end road, and they would turn into an octopus with hands all over the place. They figured that it would stimulate you somehow, and you would want to go out and sell more magazines.

I had it happen, and I had to fight my car handler off. I got out of the car, and he came to pick me back up. I told Jerry and Dora that night what had happened, and they joked about it. To the two of them, it was a big joke. They said that maybe if they excited you, you would sell more magazines. They did it to everybody, and it was a joke.

Mr. RINZEL. Ms. McKnight, you reported this to your crew leader; is that correct?

Ms. MCKNIGHT. Yes.

Mr. RINZEL. Who was your crew leader again?

Ms. MCKNIGHT. Jerry and Dora Cooper.

Mr. RINZEL. They were the ones that considered it a joke?

Ms. MCKNIGHT. They joked about it all the time.

Mr. RINZEL. Ms. Fox, did you ever have any kind of sexual harassment directed against you, or were you aware of any any such harassment directed to other women on these crews?

Ms. FOX. One of the car handlers, Ray Martin, he tried to get me into his room about three or four times when his wife, Marie Martin, was like on another jump crew somewhere else. He told me that if I would come in there that I would be treated better and I wouldn't have to worry about anything.

Senator ROTH. Mr. Medved, you said that working on a crew was like a type of modern slavery. What do you mean by that?

Mr. MEDVED. In my view, slavery is where you work and you don't get anything for it. You are supervised, you can't do what you want. That was that it was like on that crew. You had to work. You had to bring in the sales like cotton. If you didn't bring the cotton, you didn't get anything. If you made the sales, you were rewarded, and if you didn't, you were punished.

You couldn't go out at night, partly because you didn't have enough money, but partly because you were not allowed to. You had to be in bed by such an hour. You couldn't be friends with anybody, and if you were, you were fined. If you were late to a meeting, you were fined. You just didn't have any freedom whatsoever. You were constantly supervised. That was the main reason that I left, because I am a very independent person, and the whole company is geared around making everyone very dependent.

Senator ROTH. What do you do now?

Mr. MEDVED. I work for a pest control company and a limousine company. I work two jobs now, and I work sometimes as many hours as I did on the crew, but now I get paid for it.

Senator ROTH. In other words, this theory that you were an independent contractor was not factual. You were controlled in what you did, where you worked, what hours you worked, where you stayed, and how you behaved. Is that correct?

Mr. MEDVED. That is correct.

Senator ROTH. Your experience was not unique among that crew?

Mr. MEDVED. It was common.

Senator ROTH. Ms. McKnight, was your experience unique?

Mr. MEDVED. No.

Senator ROTH. You were totally controlled and regulated in what you did?

Ms. MCKNIGHT. Yes. Everything you did, you were told to do. It happens to everybody who joins these crews. They are all put in the same light.

Senator ROTH. Mrs. Fox, what was your experience on the crews you were on?

Ms. FOX. It was basically that we were told to go out and make sales. You were told that you had to be in bed by a certain time. You were told not to do certain things. You were told not to go out and drink or anything. A lot of people complained about having to stay up late at night for demo meetings, and everything. That got to a lot of people. But it was basically the same thing with everybody else.

Senator ROTH. I want to express my appreciation to each of you for being here today. I know that it is at a considerable personal sacrifice. The information that you supplied has been most useful, and we may want to discuss the matter further with you. Thank you very much.

Mr. MEDVED. Thank you, Mr. Chairman.

Senator ROTH. We will now call forward Joseph Edge, the President of Mecca Enterprises; and Horace Robertson, Crew Manager of Ultra-Kleen.

Our next panel of witnesses consists of two men who have been involved in the door-to-door sales business for many years. Mr. Joseph Edge is the President of Mecca Enterprises, and Mr. Horace Robertson of the Ultra-Kleen Chemical Company.

Gentlemen, would you please raise your right hands? Do you swear the testimony you give before this subcommittee will be the truth, the whole truth, and nothing but the truth so help you God?

Mr. ROBERTSON. I do.

Mr. EDGE. I do.

Senator ROTH. Please be seated. Will you please introduce yourselves, and then please introduce who I understand to be your attorney.

**TESTIMONY OF HORACE W. ROBERTSON, CREW MANAGER, ULTRA-KLEEN CHEMICAL CO., AND JOSEPH W. EDGE, PRESIDENT, MECCA ENTERPRISES, ACCOMPANIED BY JOE BRENT JOHNSON, ATTORNEY**

Mr. ROBERTSON. My name is Horace W. Robertson.

Mr. EDGE. My name is Joseph W. Edge.

Senator ROTH. Would you introduce the third gentleman?

Mr. EDGE. This is Mr. Joe Johnson from Fort Worth, Texas, and he is our attorney.

Senator ROTH. What was the name again?

Mr. EDGE. Johnson.

Senator ROTH. Mr. Johnson represents both of you?

Mr. EDGE. Yes.

Senator ROTH. Does either one of you have an opening statement?

Mr. EDGE. Mr. Chairman, I came here without an opening statement on this to cooperate with this committee and our business. But hearing some of the testimony, and hearing of the kind of thought that we have here, I feel that I would like to say just a couple of things.

First of all, I have not seen any of the sales people from the crews that are doing well and are happy and successful in our business. I feel as though that we have a very good business. There are probably instances that have made people unhappy.

I am one of those people that started on a sales crew. I started when I was 15 years old, and I sold door-to-door for six-and-a-half years, and it was not a bad experience. It was a good experience. It is one of the main reasons that I have stayed in the business. I have children, and my children have travelled with my crews, worked with my crews, and enjoyed my crews.

The Attorney General from New York has stated that he has indictments, that they have investigations going on. I have been in the same location for 14 years with my companies, and I have not heard from the New York Attorney General. I have not been indicted by him, and they have not asked any questions of me. I am available for any committees, any attorneys general, any law enforcement in this country.

I have been investigated for over three years by the Federal Trade Commission, and they did a very thorough job, I thought. They talked to the crews. They talked to sales people. They talked to the crew managers. They came to my office. They went through records.

We have people that say things. I enjoyed selling in all of the years that I did. I spent 25 years on the road running sales crews. I do not know how each and every distributor runs his sales crew, but some of the things that I heard this morning from the three young people, and from the Attorney General of what they do is shocking to me.

I don't know how everyone does it, but most sales people surely draw more money than that. They draw more money than that on Saturday night. All of my sales people get a statement once a month and a check for what they have coming.

I don't want to make a longer speech. I am going to answer your questions. Probably anything that I would say is what you would want to ask, so I will just reserve and answer you questions.

Senator ROTH. Mr. Robertson, do you have an opening statement?

Mr. ROBERTSON. Mr. Chairman, I do not have an opening statement. I thought that I was here simply to answer the questions that I am here for. I think that Mr. Edge covered a lot of areas that need to be covered.

I began as a sales person in this business at a very young age. I spent approximately four years knocking on doors. Having very little education, I continued to make this my career as a very young person. I am also one of the sales people who came up in the ranks.

Senator ROTH. Mr. Robertson, I will start the line of questioning with you.

Would you, once again, tell us how long you have been in the door-to-door sales business?

Mr. ROBERTSON. I began at approximately the age of 14 or 15 of age. I used to work selling magazine subscriptions during the summer when I was in school. I would come out and work the summer and then go back to school, where I would remain for part of the year, and then come back the next summer. I was around 14 or 15 years old.

Senator ROTH. How long have you known Joe Edge?

Mr. ROBERTSON. I met Mr. Edge back as a young person on a sales group. He worked for another traveling sales organization, and we used to join the town and have what we called the Fourth of July Program for all of our groups. I am trying to think of how long ago that was. It was probably as long ago as 1962.

Senator ROTH. What kind of a business relationship do you have with him today?

Mr. ROBERTSON. Currently, I purchase the product that I sell from Mr. Edge.

Senator ROTH. What is that product?

Mr. ROBERTSON. Ultra-Kleen, which is an all-purpose cleaner.

Senator ROTH. Do you have a written contractual agreement with Mr. Edge?

Mr. ROBERTSON. Not to my knowledge.

Senator ROTH. Is that unusual? Why don't you have an agreement?

Mr. ROBERTSON. Well, I can probably explain that. When I first saw Mr. Edge, and I decided to purchase the product for resale from his company, he discussed a contract with me. I told him that I didn't know if I would want to remain in this business, because I had been out of the business for a period of several years.

I was getting started back into the business, and I told him that I didn't know if I wanted to remain in the business. Also I mentioned to him that this was one of those indecisive moments, and I would think about the contract. I never did sign the contract. I just never signed it, I suppose.

Senator ROTH. Does Mr. Edge have any input into your sales business?

Mr. ROBERTSON. What do you mean by "input?"

Senator ROTH. Do you speak regularly with him? Do you discuss the business generally with him, and how it is operated?

Mr. ROBERTSON. Now and then I give Mr. Edge a call, and we kick a few things around.

Senator ROTH. What do you mean by "now and then?"

Mr. ROBERTSON. I report in to the Ultra-Kleen Chemical every Monday morning to receive my mail in the area that I am in. I call the office every Monday morning, but it doesn't mean that I speak with Mr. Edge.

Senator ROTH. Do you contact him during the week as well?

Mr. ROBERTSON. Not necessarily.

Senator ROTH. How many sales agents do you currently have on your crew?

Mr. ROBERTSON. Currently, I would think around 25, in that area.

Senator ROTH. How does that compare with the size of other crews in the business?

Mr. ROBERTSON. The crew business is down because of a lot of harassment. We used to have a better sales organization, but there has been a lot of harassment in the areas that we go to.

Senator ROTH. What do you mean by "a lot of harassment." Can you be more specific?

Mr. ROBERTSON. I think police harassment.

Senator ROTH. Why do the police harass your crews?

Mr. ROBERTSON. On a couple of occasions, I had them come right into the hotel; it was like a raid. They wanted to question everyone. They seemed to use a certain psychology on them that talked them into quitting and going home.

Senator ROTH. Do you comply with the requirements of obtaining local permits?

Mr. ROBERTSON. If the permit is possible to purchase, yes, we buy the permit.

Senator ROTH. What do you mean, if it is possible to buy the permit? If the law requires a permit, isn't it possible to buy it?

Mr. ROBERTSON. There are a lot of permits that are a little bit ridiculous. They are extremely hard to purchase, with large bonds, and cash fees per person are $50 or $100 per person. Some of the permits are not that easily obtained, and they are very expensive.

Senator ROTH. You do obtain them, but they are very expensive.

Mr. ROBERTSON. They are extremely expensive, in some areas.

Senator ROTH. In those cases, you don't try to comply?

Mr. ROBERTSON. In most cases, I do try to comply.

Senator ROTH. But there are those cases where you don't try to comply.

Mr. ROBERTSON. Whenever I am in an area, we want to purchase all the permits that are possible and work in those general areas. That is what we concentrate on, where we can get the permits, in the chemical business, and we work in those places.

Senator ROTH. But if I understand you, your testimony is that in some situations, it is very difficult to get the permits. They are expensive. There are situations where you are not able to comply with the requirement; is that correct?

Mr. ROBERTSON. Would you repeat the question?

Senator ROTH. You testified that there are situations where the permits are difficult to secure. Sometimes they are very expensive. There are situations where you do not get the necessary permits required by local regulations.

Mr. ROBERTSON. That is correct, Mr. Roth. The car handlers, they do have guidelines to register in areas where they possibly can, and they are given guidelines to do that.

Senator ROTH. But, nevetheless, you do say, if they can, so there are situations where local law is not being met.

Mr. ROBERTSON. Ordinarily, if we can't purchase the permits, we would register in the county, and work in what we call the county area.

Senator ROTH. Ordinarily, what does that mean?

Mr. ROBERTSON. We try to register in every area that we possibly can. It is a necessity, and it is a requirement that we register in every area that we possibly can.

Senator ROTH. You are testifying that this is always your practice.

Mr. ROBERTSON. That is my practice, sir.

Senator ROTH. How much are your agents paid?

Mr. ROBERTSON. Each sales person who works in the capacity of an independent contractor is paid 30 percent straight commission.

Senator ROTH. That is 30 percent of their sales?

Mr. ROBERTSON. Yes, 30 percent of their sales.

Senator ROTH. Do you pay this commission on a weekly or monthly basis to the agent?

Mr. ROBERTSON. Ordinarily, they draw against their earnings on a daily basis, which I consider paying them on a daily basis, as well as they receive a weekend draw. They draw miscellaneous in varying amounts. Ordinarily I go over their records with them once a month.

Senator ROTH. Did you hear Ms. Fox's testimony?

Mr. ROBERTSON. Yes, sir. I did.

Senator ROTH. Did you think she was being accurate in her description of how she was being compensated?

Mr. ROBERTSON. I don't remember Ms. Fox. That has been a long time ago, because a lot of her statement I do not recall, and I was not involved in any of the areas that she discussed.

Senator ROTH. Do you maintain records of how you compensate your agents?

Mr. ROBERTSON. Yes, I do.

Senator ROTH. I would like you to submit for the record: What she has been paid, what her sales were, and what was deducted from her pay.

Mr. ROBERTSON. You are asking for me to——

Senator ROTH. Submit that in writing.

Mr. ROBERTSON. I wouldn't have access to it at the moment.

Senator ROTH. You can submit it within one week.

[The information requested was never received.]

Senator ROTH. Could you tell me why you don't give the agents their 30 percent commissions, and then let them repay you for room and board you arrange, or let them arrange their own room and board?

Mr. ROBERTSON. I think the answer to that is, Mr. Roth, is all of the production that they collect they're selling product is approximately 95 percent in checks that they turn into the company, so those checks will be impossible to pay them immediately on their sales with the checks that bring in.

Senator ROTH. We have testimony that there are many agents that receive only $5 or $6 a day. Why can't you make arrangements so that they are paid on a current basis?

Mr. ROBERTSON. I don't quite understand the question, Senator Roth?

Senator ROTH. You say these individuals are independent contractors. Is that correct?

Mr. ROBERTSON. That is correct. They signed that, whenever they are interviewed and whenever they come to—they are very aware of that, each individual.

Senator ROTH. You understand what they signed does not necessarily control what their real relationship is?

Mr. ROBERTSON. My attitude, sir, the way the independent contractors' agreement reads, they clearly understand that they are independently responsible for themselves and their living expenses. It is in plain black and white writing.

Senator ROTH. You heard the testimony of Ms. Fox. Do you determine, or does your crew chief determine, where they go, what hours they work, in what hotel they stay?

Mr. ROBERTSON. Ordinarily, I give them guidelines that they need for that.

Senator ROTH. You give the guidelines to whom?

Mr. ROBERTSON. The car handlers originally in charge of those areas.

Senator ROTH. Do the car handlers decide where they go to work and what hours?

Mr. ROBERTSON. It is discussed between the car handlers as well as myself some of the time.

Senator ROTH. You really have control of what territories they work and when; don't you?

Mr. ROBERTSON. Yes. It is good to sit down so that you do not have basically the same people working down the same street with one another. It has to be organized, an area where you don't have, say, 14 people on the same street, in the same city.

Senator ROTH. So you or your representative actually decide each day which territory, what street will be covered. Is that correct?

Mr. ROBERTSON. I would think that that would be the answer to the question.

Senator ROTH. Do you have sales meetings, or sessions, in the morning or in the evening with the so-called independent contractors?

Mr. ROBERTSON. There has to be a time for a group of people to get together to keep the business organized. We used to have a meeting room. There has to be a time for everyone to begin to work, because you are dealing with a group of people, you are not just dealing with an individual. You ordinarily meet in the meeting room in the mornings.

Senator ROTH. What about the evenings?

Mr. ROBERTSON. In the evenings, ordinarily, we use the same meeting room, and after the cars come in around 6:30, then, of course, we have what we call an evening check in.

Senator ROTH. What happens if they don't go to the meetings?

Mr. ROBERTSON. If they don't go to the meetings, you mean, whenever they are checking their production in?

Senator ROTH. Yes.

Mr. ROBERTSON. It is a necessity that they account for the money. Someone has to account for the money.

Senator ROTH. That requires them to report in every evening to account for the moneys?

Mr. ROBERTSON. Yes.

Senator ROTH. They are required to go to these sales meetings?

Mr. ROBERTSON. I think most members, to answer your question, if their sales aren't to par, they would like to be at the meetings, so that they could gain more product knowledge and do a little bit of rehearsal, so that they could become better sales people.

Senator ROTH. If they make no sales or don't meet their sales quotas, are they denied any money?

Mr. ROBERTSON. I heard the testimony of Ms. Fox on that. I don't recall denying her any money. Ordinarily, the moneys are passed on the car handler, and then it is the responsibility of the car handlers to hand the cash dollars to the persons that they used to carry for them.

Senator ROTH. The car handlers work for you. Is that correct?

Mr. ROBERTSON. The car handlers, sir, are independent contractors. They work for themselves?

Senator ROTH. They work for themselves?

Mr. ROBERTSON. Yes.

Senator ROTH. So, in fact, they presumably are independent contractors, too.

Mr. ROBERTSON. To my knowledge.

Senator ROTH. Do you accompany them at times?

Mr. ROBERTSON. What do you mean accompany them?

Senator ROTH. These car handlers.

Mr. ROBERTSON. I don't understand.

Senator ROTH. Do you, on occasion, go with them on the sales?

Mr. ROBERTSON. You mean out to the territories?

Senator ROTH. Do you actually go to the territories?

Mr. ROBERTSON. No. No, sir.

Senator ROTH. You never go?

Mr. ROBERTSON. No, sir. When I began the business, I did years ago, but not to my knowledge in the last few years.

Senator ROTH. How much money do you generally pay an agent to cover the expenses of living?

Mr. ROBERTSON. Ordinarily, the expense on the sales person runs between—if you figure the hotel, and the draw, it varies depending upon the hotel you are staying in. Are you talking about——

Senator ROTH. Do you pay the hotel bill directly?

Mr. ROBERTSON. The hotel bill is paid for them, because you are dealing with a check situation, and someone has to be responsible for the hotel.

Senator ROTH. How much cash do you normally give the agents?

Mr. ROBERTSON. Anywhere from $10 to $20 per day, somewhere in that neighborhood. There have been different types of draws. I can't recall them.

Senator ROTH. You have no knowledge of how low? Sometimes was it as low as $5 to $6 dollars a day?

Mr. ROBERTSON. I saw draws as low as $5 or $6 dollars a day. Yes, sir.

Senator ROTH. Sometimes they don't get anything?

Mr. ROBERTSON. That I do not recall, Mr. Roth. I don't recall someone not getting anything. If that was the case, it could have been a mess up between the car handler and that sales person.

Senator ROTH. We are going to put up a pay record from Lee Bradby, which you supplied to us. We have blown up one of the monthly accounts for Mr. Bradby, provided by you. It appears to be for the month of August 1984.

He sold $2,656 of cleaner. He earned a commission of $769, but his expenses for the month totalled $1,052. So for this month he presumably owed you $282.

In general, is this a representative account sheet?

[See Exhibit No. 2 on p. 173.]

Mr. ROBERTSON. Yes. That is what we call a monthly statement.

Senator ROTH. Could you estimate how many hours Mr. Bradby worked during that month?

Mr. ROBERTSON. That would be hard to say, Mr. Roth. It would be hard to determine the amount of hours.

Senator ROTH. Mr. Bradby told us he worked 60 hours a week. Would you agree with that?

Mr. ROBERTSON. Which week were you referring to?

Senator ROTH. Any of the weeks.

Mr. ROBERTSON. I would think that he was doing business or in the process of doing business 60 hours certainly. That is getting up in the morning, preparing for a meeting, going to breakfast, working until 6:30 p.m., and then the route back to the hotel. I would think it would amount to somewhere in that neighborhood, if you involve the whole total day. The actual working during the day, a lot of them are lucky enough to get in 3 or 4 hours of work, actual selling to the customers. If Mr. Bradby is thinking that he was involved in the business 60 hours, I would have to agree with that.

Senator ROTH. During the first week, there is a $300 deduction. Would you explian what that deduction is for?

Mr. ROBERTSON. It appears to me that it could have been a miscellaneous draw, or it could have been a check made to Mr. Bradby from the company, he could sign it and we could cash the check. That is what it appears like.

Senator ROTH. There is also a $100 deduction. Do you know what that is for?

Mr. ROBERTSON. Going back to August 1984, Mr. Roth, I cannot give you—I just don't recall what it would be.

Senator ROTH. Mr. Bradby told us that those were fines. Is it your practice to fine these agents?

Mr. ROBERTSON. That could be a possibility.

Senator ROTH. In other words, the answer is yes?

I am asking you: You do on occasion fine these agents?

Mr. ROBERTSON. I have had occasion to talk about fines to the personnel. I would have to look back into the records and see if there were any fines. If they had been fined, I would think that we would have written the word fine down by that amount.

Senator ROTH. You testified just a few seconds ago, that it could be. Do you fine or don't you fine? What is the answer, yes or no?

I would like Mr. Robertson to answer.

Mr. JOHNSON. I was not trying to influence his answer. Are you telling me, sir, that I have no right to confer with my client?

Senator ROTH. You can advise him of his constitutional rights.

Mr. JOHNSON. For the record, I was advising him that prior to answering your question, that he determine if you are asking him about his current practice or his previous practice, and I don't believe that that is trying to influence him. I wanted the record to be clear as to what the question was. That was my only advice to him.

Senator ROTH. Mr. Robertson, I would like to know both, your past practice and your current practice.

Mr. ROBERTSON. In the past, Mr. Roth, there were fines discussed and talked about, and there was a policy of fining a person in certain areas. But, my policy is not the same today.

Senator ROTH. Make sure the record is clear. It was your practice to fine.

Mr. ROBERTSON. I would say yes.

Senator ROTH. For what reason would you exact a fine?

Mr. ROBERTSON. Most any fine that I ever discussed with any of the independent contractors, was with the gals and guys. We had an open discussion meeting. We didn't feel as though it was right for a person to get high on drugs, or to get drunk, and to go into a young ladies room, or vice versa.

Senator ROTH. Were these guidelines in writing?

Mr. ROBERTSON. Not to my knowledge.

Senator ROTH. Are these agents, sir, independent contractors?

Mr. ROBERTSON. That is my understanding.

Senator ROTH. Is it characteristic of that relationship, for the one who employs the independent contractor to establish the rules for their personal life?

Is it appropriate for you to say whether or not they should fraternize with people of the opposite sex?

Mr. ROBERTSON. I think that living in a crude hotel, or in a hotel, and if you have a situation of girls and guys on the same job, and some of them do not respect one another's morals. I think that a fine, or talk of a fine is very necessary.

Senator ROTH. What legal authority do you have to exact a fine?

Mr. ROBERTSON. I think, it is out of due respect for the group.

Senator ROTH. That is the basis of the authority?

Mr. ROBERTSON. Yes, sir. Out of their pride and morals.

Senator ROTH. Where does the money exacted from these fines go? Do you retain that?

Mr. ROBERTSON. No. Ordinarily, any fines we used to put the money back up as a cash bonus for the crew.

Senator ROTH. I would like you to supply the committee all fines that you have exacted in the last three years, and what happened to those funds. I would point that these statements will be under oath, the same as your testimony.

[The information referred to was not received at time of printing.]

Senator ROTH. Mr. Robertson, why do you keep people with such large debts?

Mr. ROBERTSON. I suppose it depends on the type of sales organization that you have. A lot of times you have a very highly motivated group. You get used to working with a person, and you have a talk to with that person. You explain to them that they are in debit, and they want to stay with you. They enjoy the work. You allow them to remain.

Senator ROTH. I think we will take the next chart. Mr. Robertson, when our staff recently visited your crew in California, they obtained these ledger sheets for 1986, which like the prior exhibit, I will place into the hearing record.

Could you explain to us what this sheet represents?

[The sheet referred to has been retained in the Subcommittee files.]

Mr. ROBERTSON. That would be what we call a debit account of personnel who are with us that go above the 30 percent commission that they are offered.

Senator ROTH. Explain to me, you have the names. These are your agents. Is that correct?

Mr. ROBERTSON. These are the independent contractors.

Senator ROTH. What do you mean by debit?

Mr. ROBERTSON. We pay them on the basis of 30 percent, and that means that they have exceeded that 30 percent.

Senator ROTH. How many names are there there?

Mr. ROBERTSON. Looks like about 30.

Senator ROTH. In other words, you have a debit line and you have a credit line. Those that are in the debit line owe you money. Is that correct?

Mr. ROBERTSON. That means they have exceeded the 30 percent, and that is correct.

Senator ROTH. In other words, they have exceeded, purportedly, their commission, and owe you that amount of money, each one of them?

Mr. ROBERTSON. It means they have exceeded the 30 percent and we have paid them that much more money, a higher commission.

Senator ROTH. In December, there were 26 debits and two credits. Only two actually had money owed to them? Is that correct, according to that sheet?

Mr. ROBERTSON. According to that, yes, sir.

Senator ROTH. That sheet came from your records.

Mr. ROBERTSON. Not my personal record, I would think.

Senator ROTH. I am not asking about your personal record. It is your business record.

Mr. ROBERTSON. My business records, yes.

Senator ROTH. My staff has reviewed your business records for 1986. There were a total of 418 sales agents and, of those, 413 had a debit, or owed you money, and only five had a credit.

How does that happen?

Mr. ROBERTSON. It means that we handed out more monies than the 30 percent, which was offered each independent contractor.

Senator ROTH. We have testimony from your people, that you never paid more than $8 or $10 a night, not the $10 or $20.

Mr. ROBERTSON. Could you repeat the question, I am sorry.

Senator ROTH. I am asking you, how does it turn out that 413 of these folks called independent contractors end up owing you money, when, in fact, they have advised us—both of them that have been independent contractors advised—that normally they only get $8 or $10 a day, and that is all they receive.

How do they end up owing you money?

Mr. ROBERTSON. There is other monies that they receive besides the $8 to $10 a day, such as I explained to earlier.

Senator ROTH. What other money do they receive?

Mr. ROBERTSON. They draw miscellaneously, from time to time.

Senator ROTH. Do you keep records of that?

Mr. ROBERTSON. Yes, I do.

Senator ROTH. I am talking about each withdrawal?

Mr. ROBERTSON. Yes, I do.

Senator ROTH. Let me ask you, it seems that the vast majority of sales agents leave your employ with basically nothing to show for it in their pockets. Is that correct?

Mr. ROBERTSON. It seems to be the trend of the last year or so. Yes.

Senator ROTH. Even though your ledgers carry these people as owing you this money, in almost every case, you have made money through these agents' sales efforts, because of this 30/70 percent commission split? Is that not correct? You get 70 percent of the commission.

Mr. ROBERTSON. That is the remaining part of 100 percent, with what we end up with after expenses.

Senator ROTH. You testified earlier, that they got 30 percent.

Mr. ROBERTSON. That is correct.

Senator ROTH. So, you end up with 70 percent.

Mr. ROBERTSON. That is correct.

Senator ROTH. You are making a profit on these sales agents.

Mr. ROBERTSON. There will be some sort of profit, I would have to agree.

Senator ROTH. What is the markup? What does it amount to?

Mr. ROBERTSON. The markup on the products?

Senator ROTH. Yes.

Mr. ROBERTSON. I don't have those exact figures.

Senator ROTH. You can tell us roughly the percentage of the markup.

Mr. ROBERTSON. The percentage, approximately——

Senator ROTH. What do you pay for it?

Mr. ROBERTSON. I don't have the actual figures right by me.

Senator ROTH. You have no idea what they are.

Mr. ROBERTSON. Yes, I have a basis.

Senator ROTH. Roughly $4.

Mr. ROBERTSON. Somewhere in the neighborhood.

Senator ROTH. Somewhere in the neighborhood of $4. What do you sell them for?

Mr. ROBERTSON. We sell it for the half-gallon, $21.95. I think we lowered the price on its last year. We were getting $24.95, and I think now we get $21.95 for a half-gallon.

Senator ROTH. You are selling it at roughly $40 a gallon?

Mr. ROBERTSON. Roughly, right.

Senator ROTH. You pay $4, and sell it for $40. That is a pretty good markup. It is roughly 1,000 percent.

Mr. ROBERTSON. I don't know what the markup is on it.

Senator ROTH. It is a pretty handsome markup; would you agree? You get 70 percent of that.

Mr. ROBERTSON. With the overhead in our business you need a markup.

Senator ROTH. What overhead do you have beyond the independent contractors?

Mr. ROBERTSON. Our advertising, gasoline for the transportation furnished, return transportation tickets for all of the members that you have to send home, and I could go on and on. You have all kinds.

Senator ROTH. You mark up 1,000 percent. Is that typical in this kind of business?

Mr. ROBERTSON. I would think to survive in this business you have to have a markup.

Senator ROTH. Mr. Rinzel?

Mr. RINZEL. Mr. Robertson, you were asked about contacts with Joe Edge, and what your relationship was, and you insist that you are an independent contractor under Mr. Edge. Is that correct?

Mr. ROBERTSON. That is correct.

Mr. RINZEL. But during the interviews with staff prior to this hearing, didn't you tell them that you would do what every Mr. Edge told you to do?

Mr. ROBERTSON. I think knowing Mr. Edge, and his past, I would be willing to take good advice from Mr. Edge.

Mr. RINZEL. Did you or did you not say, that you would do what ever Mr. Edge told you to do?

Mr. ROBERTSON. Yes. I think I made that statement.

Mr. RINZEL. Is that statement true?

Mr. ROBERTSON. In a cooperative business.

Mr. RINZEL. Mr. Robertson, is the statement true, or is it not true? That question should be answered yes or no. Then, you can explain it.

Mr. ROBERTSON. Would you repeat the question again.

Mr. RINZEL. The statement, that you made to staff during a pre-hearing interview, that you would do whatever Mr. Edge told you to; is that statement true?

Mr. ROBERTSON. I need to confer with him for just a moment.

I was trying to, as you asked the question, define it in my own mind. I don't think I would do anything that Mr. Edge would ask me to do. But, in a business respect, I would be cooperative with Mr. Edge. That would be my answer.

Mr. RINZEL. Do you remember the police raid in White Plains, New York? When the police came to the hotel your crew was staying at, and after some discussions and altercations, that Ms. Fox testified about, about half your crew left under the protection of the police.

You recall that incident, do you not?

Mr. ROBERTSON. Yes. I recall the White Plains incident. I don't recall half of the crew leaving.

Mr. RINZEL. A substantial number of them left?

Mr. ROBERTSON. Yes, I think so.

Mr. RINZEL. During the course of that incident, while it was going on, isn't it true, that you called Mr. Edge on the telephone to ask him what to do about it, and asked him what steps you ought to take?

Mr. ROBERTSON. I called Mr. Edge and explained to him what was going on, and explained to Mr. Edge that I was amazed to see this happening. I could not believe what was happening.

Mr. RINZEL. Did you ask Mr. Edge what you should do?

Mr. ROBERTSON. I think I asked Mr. Edge if I should remain in the same hotel, or if I should move on the another city under the circumstances. He mentioned, "Do you have anything to hide," and I said "No." He said, "Well, I would just stay there."

[Senator Sasser entered.]

Mr. RINZEL. So, that is what you did.

Mr. ROBERTSON. That is what I did.

Mr. RINZEL. Because Mr. Edge told you to do it.

Mr. ROBERTSON. It was more like getting advice, friendly advice. It was not that I needed to ask Mr. Edge that. It was simply, that he was someone that I felt like talking to.

Mr. RINZEL. As a matter of fact, prior to this hearing, you have had some discussions with Mr. Edge about what you ought do about this investigation; haven't you?

Mr. ROBERTSON. We kicked it around. That would be typical that we would discuss the investigation reports.

Mr. RINZEL. Let me ask you about permits. You have sent crews out on to territory, regularly, without the required permits; isn't that correct?

Mr. ROBERTSON. In some cases, I would think that would be possible.

Mr. RINZEL. You instruct your car handlers to go on territory, and you instruct them not to get permits, when you think it is inconvenient or too expensive to do so. Isn't that true?

Mr. ROBERTSON. I usually give them the guidelines of getting the permits anytime possible to go in and register, because we want to do it legally. We want to get the permits if possible.

Mr. RINZEL. But, if you feel in your judgment it is not possible or too expensive, then you tell them to go out on the territory anyway without the permit?

Mr. ROBERTSON. I feel as though a human being has a right to work and they have a right to make a living. They have a right to make sales.

Mr. RINZEL. I don't think you are answering my question, except indirectly. I would like to know whether your answer is yes. Do you send people out on territory without permits?

Mr. ROBERTSON. Not intentionally. If it can be prevented, I would prefer them to buy the permit.

Mr. RINZEL. But, you do send them out there, from time to time, without the permits. Isn't that true?

Mr. ROBERTSON. I send them out to get the permits. If they don't get the permits, it is their business.

Senator ROTH. You do let them work whether or not they get permits. You don't instruct them that they are not to sell, if they don't have a permit.

Mr. ROBERTSON. No. I do not instruct them not to sell, Mr. Roth. But I feel as though they have the right.

Senator ROTH. So, essentially, you are acquiescing to the sale, whether or not a permit is obtained. Yes or no?

Mr. ROBERTSON. I would think yes to that question.

Mr. RINZEL. Some sales agents are arrested for selling without permits, which has happened on your crew from time to time, isn't that true?

Mr. ROBERTSON. That is right.

Mr. RINZEL. Who pays their bond?

Mr. ROBERTSON. The company would pay for the fines, for the bond.

Mr. RINZEL. You say the company, but isn't it a fact, Mr. Robertson, that you deduct those payments from the car handlers' accounts?

Mr. ROBERTSON. There has been times, I think, that I have in the past, because we had some of the car handlers in the past wanted to work cities that you cannot register in. I think I explained to the car handlers, that if you go and work in areas where you are not designated to work, and you get the persons picked up and in jail, fine, but you will be responsible. There are 50 times in the past that we did charge the car handler for that.

Mr. RINZEL. So, it is the car handlers fault, even though you have instructed the car handler to go out on territory without getting permits, because it is too expensive, in your judgment, or inconvenient to get those permits. Yet, you deduct the cost of the bond for people, who get arrested from the car handlers' account. You don't pay for it yourself. Isn't that true?

Mr. ROBERTSON. No, that is not true at all. I said in some cases.

Mr. RINZEL. Could you provide us with any evidence that you have of personally, out of your own profits, paying for a bond for a person who has been arrested for soliciting without a permit.

Do you have any such records, or could you provide them, because we haven't seen any thus far?

[The records asked for were not received by time of printing.]

Mr. ROBERTSON. I am not sure if I was asked for those. Whatever I was asked for I provided.

Mr. RINZEL. Would you be able to provide those to us, if the Chairman requested you to do so?

Mr. ROBERTSON. Of any persons that I have paid bond for them to be taken out of jail.

Mr. RINZEL. Yes. Out of your own profit, not charing to the car handlers' account.

Mr. ROBERTSON. I can provide you with that.

[The information was not received by time of printing.]

Senator ROTH. Senator Sasser?

Senator SASSER. Thank you very much, Mr. Chairman. Mr. Chairman, I have a statement, which I would like to have included in the record in its entirety.

Senator ROTH. So ordered.

## OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. I want to commend you, Mr. Chairman, for holding this hearing today. I think it is a very important hearing in order to investigate alleged corrupt, fraudulent practices of the door-to-door sales industry.

I think it is really a terrible shame, terrible tragedy, that unsuspected youngsters can be lured to what appears to be a glamorous job, only to find a high fare of tiring travel, inadequate lodging, substandard pay.

[Senator Sasser's prepared statement follows:]

### PREPARED STATEMENT OF SENATOR SASSER

MR. CHAIRMAN: I commend you for holding these hearings today to investigate corrupt and fraudulent practices in the door-to-door sales industry. I know that the Committee will benefit considerably from the testimony that will be offered today.

The witnesses before us today offer compelling evidence about some of the abuses that can occur when door-to-door sales enterprises are not suitable regulated by Federal or State law. Too often unsuspecting youngsters can be lured into what appears

to be a glamorous job only to find a nightmare of tiring travel, inadequate lodgings, substandard pay and abusive employers.

To date, it has proven difficult to crack down on the practices of unscrupulous employers who exploit youngsters involved in door to door sales, If they run afoul of local or State law enforcement officers, these door-to-door operations simply pull up stakes and move to the next city or State. Clearly, a coordinated effort by Federal, State, and local law enforcement officials is required to stop these fraudulent operations.

I am confident that, based on the testimony offered here today, the Permanent Subcommittee on Investigations will put the spotlight on the exploitative practices of some elements of this industry and thereby begin to seek appropriate legislative remedies to end the many harmful practices that have been visited on the unsuspecting American youth who have joined these fraudulent business concerns.

Senator SASSER. I have some questions here that I would like to direct to these witnesses.

Mr. Robertson, we have been informed or several occasions that you told agents, who wanted leave, that they were on their own. Agents who wanted to go back home, younsters who had been working for you, and who wanted to avail themselves of what they viewed as their part of the contractual obligation, namely that you furnish transportation back to their home areas.

Did you tell them at the time that, if they wanted to leave, they would have to pay their own way back home, despite the promise that every new agent would have a bus ticket home, when they decided to go, if they wanted to go ahead and go back home. Is that true?

Mr. ROBERTSON. I can't recall the person that you might be referring to, Mr. Sasser.

Senator SASSER. I think the question is: Did youngsters come to you to leave your employment, to perhaps quit, and go back home, when they had enough, and asked for the bus ticket that had been promised them, as one of the inducements of their employment. Did you ever fail to give them that bus ticket, allow them to go freely?

Mr. ROBERTSON. I have had some personnel that I had worked with come up to me and said, "Mr. Robertson, you have been good to me. I owe you $400. The ticket I don't need. So long." That has happened in the past. But, anyone that has come to me and asked for a ticket home, it has always been provided for them. That is in my policy.

Senator SASSER. You are telling this committee, under oath, that any individual who came to you and asked for a ticket home and said "I have had enough. I want to go." You simply gave them that ticket. You never denied anyone a ticket.

Let me see if I can refresh you, Mr. Robertson. This committee has a series of police reports, from 1984, which we obtained from the White Plains Police Department. Mr. Bradby referred to the White Plains incident here in his testimony.

I would like to read from one report, which refers to a particular sales agent, Sherry Sladen, who stated that "the people from Ultra-Kleen would not allow her to leave, because she owes them money. This company told her that she did not sell enough of their products to cover her expenses, and that she could not leave. They would not give her the bus ticket she had coming to her."

This subcommittee also has other statements indicating that you would not provide bus tickets home, as you had promised. Let me just direct the question to you again, Mr. Robertson.

Did you ever fail to give a youngster a bus ticket, when they came to you and said, "I want to go home."?

Mr. ROBERTSON. I would have to look back in my records, but to my recollection, I did not refuse anyone. I don't remember refusing anyone fare home.

Senator SASSER. Doesn't it strike you as odd, Mr. Robertson, that in two cases—once in White Plains, and once in Indianapolis—that sales agents, that you claimed could leave freely, only left when the police came to the hotels and arranged that you could provide transportation money home for these individuals, 10 in one case and 14 in another?

Mr. ROBERTSON. That wasn't totally the situation that was involved, Mr. Sasser. There is much, much more to it than what you are referring to there.

Senator SASSER. Why won't you explain it to us, then? I won't cut you off. If you want to amplify, why, the committee would be glad to hear your testimony on that subject, Mr. Robertson.

Mr. ROBERTSON. Anyone working along with Ultra-Kleen Chemicals were entitled to fare home, if asked. The White Plains, New York situation: I was running—I was doing business in the area, and we had an excessive amount of fraternization, drinking, drugs, and I was discussing with some of the people in that particular group.

I don't know how the police even got involved in that particular situation. You have the world cult in that area, that is highly talked about because of the "Moonies" in that area. That is the only thing that I could realize why all of that was coming down from the White Plains, New York, area.

I didn't even know I had people working along with me that wanted to leave or quit. I don't even know how the police became involved. After the police came and interviewed the group of people that I had in the hotel there, a lot of the members wanted to quit.

I think it was in the situation of, they wanted to leave because of romances. They wanted leave so they could go do their drug scene, which I didn't tolerate. No, sir.

Senator SASSER. The question why they wanted to leave was not a condition precedent to the employment as I understand it. One of the inducements of the employment contract was: When you wanted to leave, we will give you a bus ticket home, no questions asked. Is that correct?

Mr. ROBERTSON. That is correct.

Senator SASSER. So, what you are telling this subcommittee this morning, by way of excusing your conduct is, that "Well, I didn't approve of what they were doing, so I wasn't going to give them a bus ticket home." That is hardly what you told them on the front end, when you signed them up; is it?

Mr. ROBERTSON. That is not what I was referring to at all.

Senator SASSER. Let me just move along here, Mr. Robertson. We have heard sworn testimony this morning from Rebecca Fox, who said that she was forcibly detained in White Plains, by your associ-

ates, and that she had to flee through the hotel to get away. And, eventually needed a police escort out of that hotel. Is that true?

Mr. ROBERTSON. I do not have any recollection of what went on with Ms. Fox there. I did notice that she did not mention my name. If that was going on within that group of people, I was unaware of it.

Senator SASSER. Let me see if I can refresh your memory here this morning. This is Rebecca Fox's testimony.

> I tried to get up and leave once, and they made me sign some papers. Then, I got up to leave again, and they wouldn't let me. I broke free and ran down to the elevator, Marie Martin was holding the door open so that the elevator couldn't move.
>
> So, I took off down the stairway, praying that nobody would be waiting for me on the first floor. I could hear somebody else behind me. When I got to the first floor, I went through a back door and into an alley. Since, I was afraid that Mr. Robertson, or somebody with him would be around the front door. But, they caught me outside and held me against the wall.
>
> Now, there was a man from the crew whose last name was Roberston, helping me out. I remember one woman saying, "listen," calling Ms. Fox an uncomplimentary name, "you are not going anywhere."
>
> Then an ambulance drove up, and two men got out of it. I told them I needed help. I told them that these people were not letting me leave, and the ambulance drivers threatened to phone the police, and then they let me go.

That is what Rebecca Fox said. You are not disputing that testimony?

Mr. ROBERTSON. I heard her testimony, Mr. Sasser. That was some time ago. I don't know exactly what happened there. If Ms. Fox wanted a ticket home, she was entitled to that. It was company policy.

Senator SASSER. Why didn't you give it to her then? Why did the police have to come and arrange for her to leave?

Mr. ROBERTSON. I do not recall, like I said earlier, Ms. Fox. I have worked with a lot of people from that point until now, and I don't recall a lot of this with her in particular.

Senator SASSER. Mr. Robertson, this business that you are engaged in, or in which you induce these young people to come and be salesmen for you, this is a very profitable business; isn't it?

Mr. ROBERTSON. Profitable?

Senator SASSER. Yes.

Mr. ROBERTSON. I think it has a lot to do with the economy, and how you manage your business.

Senator SASSER. Just tell this subcommittee here this morning, how profitable is this business?

Mr. ROBERTSON. I think it depends on how much time you spend with it. How well you work with it.

Senator SASSER. It is true that you own a a number of pieces of real property, and own a number of vehicles. You have done quite well in this business over the past few years; haven't you?

Mr. ROBERTSON. I have done fair. At my age, I should own something.

Senator SASSER. Your 1985 tax return shows gross receipts of over $600,000. After deducting the expenses, you reported a loss of over $57,000. In calculating this loss you have taken a business deduction for commissions, which is almost 50 percent or one-half of your sales.

Since the sales agent receives 30 percent sales commission, how could you deduct 50 percent as commission for you sales people? Be very careful about that answer, Mr. Robertson.

Mr. ROBERTSON. I understand, Mr. Sasser. I collect the monies in the field. These figures are turned over to our bookkeeper, and CPA. I don't know the figures that well for last year.

Senator SASSER. The return contains a deduction for $95,000 for hotels. Does this total include sales agent's hotel bills, or just your own?

Mr. ROBERTSON. I am not aware of those figures. I have not seen those figures.

Senator SASSER. Mr. Chairman, I thank you.

Senator ROTH. Thank you, Senator Sasser.

Senator ROTH. I would ask Mr. Robertson to supply those figures.

[See Exhibit 3 on p. 174 and Exhibit 4 on p. 177.]

Mr. ROBERTSON. Which figures are those, Mr. Roth?

Senator ROTH. I would ask that you have your accountant submit the claimed deductions of $95,000 for hotel, and explain what those charges consist of. Also, as you are taking a business deduction for commissions' which are almost 50 percent of your sales, I would like to have an explanation of that business deduction, when your sales agents received 30 percent of the commissions. I would like to move on.

As I am sure you are aware, allegations have been made concerning the physical abuses in some door-to-door sales groups.

[Senator Sasser departed the hearing.]

Senator ROTH. Lee Bradby has made a statement that he was struck on several occasions. Is this true, by you, Mr. Robertson?

[See Exhibit No. 9 on p. 193.]

Mr. ROBERTSON. Was the question, by me, did you say, Mr. Roth?

Senator ROTH. That is correct.

Mr. JOHNSON. Mr. Chairman, would it be out of line for us to be able to see the statement? I don't believe we have had access to the statement prior to this time.

Senator ROTH. I will be happy to read it to you. Let me read part of the statement of Mr. Bradby.

> Getting in the black on one's account and staying there was almost impossible. Being in debt to Mr. Robertson kept people on crews longer than they might have stayed otherwise.
>
> Mr. Robertson promised when I retired he would provide a bus ticket back to Oklahoma, whenever I wanted to leave. I recall asking to leave one time, and he told me to head out for the highway. I recall several others getting the same treatment.
>
> As I mentioned earlier, everything depended upon the volume of sales. When sales were bad, there would be a greater chance of verbal and physical abuse. I remember at least three occasions when Mr. Robertson hit me. I still have a chipped tooth from a punch by Joe Robertson, one of Mr. Robertson's brothers. I am aware of other incidents involving sales agent, being struck by Mr. Robertson and others traveling with the crew.

Do you recall those incidents, Mr. Robertson? Are those statements true?

Mr. ROBERTSON. What page were you reading on, Mr. Roth.

Senator ROTH. Page 5.

Mr. ROBERTSON. I do not know anything about the punch thrown by Joe Robertson, who is my brother.

Senator ROTH. What about the times you, presumably, hit him?

Mr. ROBERTSON. I can recall the situation between me and Mr. Bradby. It was either pertaining, you know, going into the female's room during the hours of——

Senator ROTH. Just answer the question first, we can go into the reason later. You do remember hitting him?

Mr. ROBERTSON. I can remember having a conversation with Mr. Bradby, and we were standing in a bathroom area. It got into a push and tug type of conversation, or situation, and he falls back into the bathtub area.

Senator ROTH. So, you did physically hit him, pushed him into the bathtub?

Mr. ROBERTSON. It was more like in a defensive manner. We had a little heated argument going, and he falls back in the bathtub, and he comes out of the bathtub and swinging.

Senator ROTH. You do recall hitting him.

Mr. ROBERTSON. I don't recall hitting Mr. Bradby.

Senator ROTH. Do you recall physical pushing?

Mr. ROBERTSON. I can recall pushing and such between him and I, and possibly slapping him, because it was a very heated type of situation.

Senator ROTH. How big a man are you, Mr. Robertson? How tall are you and how much do you weigh?

Mr. ROBERTSON. I would think 6'2" probably, a couple of hundred pounds.

Senator ROTH. How big is Mr. Bradby?

Mr. ROBERTSON. I can't recall that. I remember Mr. Bradby was tall, but I can't recall size. He was a tall fellow.

Senator ROTH. Mr. Bradby mentioned three different times in this, and he uses the language, "I remember at least three occasions when Mr. Robertson hit me." Is that correct or not correct? Answer yes or no.

Mr. ROBERTSON. I don't recall the other events. That has been some time ago.

Senator ROTH. We also have a sworn statement by Patricia Reynolds, which says, "I know that Mr. Robertson beat the hell out of Mr. Bradby." That doesn't sound like a push; does it?

Mr. ROBERTSON. No, sir. It does not.

Senator ROTH. Are you accusing Patricia Reynolds of lying under oath?

Mr. ROBERTSON. I don't recall beating the hell out of Mr. Bradby.

Senator ROTH. Do you get in fights very often, so this would not be an unusual event?

Mr. ROBERTSON. I don't quite understand the question.

Senator ROTH. When you get in a fist fight or hit somebody, isn't that the kind of incident you would expect a person to remember?

Mr. ROBERTSON. I have worked with a lot of people in the past.

Senator ROTH. Answer my question. Isn't that the kind of incident you would expect a person to remember, unless you were in a lot of fights? Were you in a lot of fist fights?

Mr. ROBERTSON. Ordinarily, no, sir.

Senator ROTH. What do you mean by ordinarily? Yes, or no?

Mr. ROBERTSON. I don't go around looking for fist fights.

Senator ROTH. That is not the question. The question is whether you actually do often strike someone?

Mr. ROBERTSON. There have been some times in this business where you had to defend yourself with some of these sales people, especially when they are high on drugs or drunk.

Senator ROTH. You always come back to the fact that these young people are on drugs or drunk. Why don't you do a better job of securing independent contractors, who won't give you that kind of a problem?

Mr. ROBERTSON. I think drugs in this country is a very serious problem in the young adults.

Senator ROTH. I don't think anybody would disagree with you on that, but at one stage you claimed these are independent contractors, that they are responsible for their own actions and deeds.

Mr. ROBERTSON. That is correct.

Senator ROTH. Then, when it is useful in answering a question, you say it is in response to drugs, or a cult, or beating. I find that a little bit incredible, Mr. Robertson.

Let me ask you once more. Did you or did you not strike Mr. Bradby? I want a straight yes or no answer.

Mr. ROBERTSON. Slapped, yes. I recall slapping.

Senator ROTH. Why did you claim just a few minutes ago that you pushed him, that was defense, pushing somebody? You remember it now and not before.

Mr. ROBERTSON. Recalling the incident goes several years back, Mr. Roth. I can recall that Mr. Bradby was standing with me in the bathroom area, and he fell backwards into the bathtub area. I don't recall pushing him into the bathtub, it is just that is where he ended up whenever we were in the bathroom area. He comes out of the bathtub. We had been arguing about drugs and other things, and I think I did slap Mr. Bradby. That is what I recall that happened, but you are going back several years.

Senator ROTH. You would expect an individual to recall such an incident. It is not something that happens in the ordinary course of events of a typical day.

Mr. Robertson, have you struck anybody else working for you on one of your crews? I would like you to answer yes or no? Go ahead and answer it.

Mr. ROBERTSON. Striking?

Senator ROTH. Hit, or in any way use physical violence of any type.

Mr. ROBERTSON. If so, it was in a self-defensive manner, or due to drunkenness, or falling out of line.

Senator ROTH. We have a written statement from Patricia Reynolds which I would like to place into the hearing record. Ms. Reynolds states that you assaulted her on several occasions. For instance, you beat her with your fists in Dallas, and she had to go to the hospital with a concussion. She also alleges being choked by you in Plant City, Florida, and she further states that you assaulted other people on the crew, whom she identifies in some cases. Do you deny these allegations?

Mr. ROBERTSON. If it happened between me and Ms. Reynolds, I do not recall.

Senator ROTH. You have no recollection?

Mr. ROBERTSON. No, sir.

Senator ROTH. You would not recall choking a woman, or assaulting her with your fists. That would be something that you could not remember?

Mr. ROBERTSON. I would recall that, and I can't remember that happening between me and Ms. Reynolds. I do not recall that this is something that I did. This is something that I would would not think that I would do, but I do not recall that happening with Ms. Reynolds.

Senator ROTH. Let me emphasize, if you say that you do not remember, and in fact you do remember, that is also perjury under oath. Let me repeat the question again.

We have a written statement by Ms. Reynolds that not once, but on several occasions, for instance, you beat her with your fists in Dallas, and she had to go to the hospital with a concussion. She also alleged being choked by you in Plant City, Florida. Do you remember those incidents?

[The statement by Ms. Reynolds has been retained in subcommittee file.]

Mr. ROBERTSON. As I said earlier, Mr. Roth, I do not recall or remember those instances with Ms. Reynolds.

Senator ROTH. Then, are you denying that you did that?

Mr. ROBERTSON. I am not denying it, sir, I just do not recall, and that would be something that I would think that I would remember. But I just do not recall it.

Senator ROTH. Did you ever assault Charl Dubosey [phonetic]?

Mr. JOHNSON. You are phrasing the question in the form of a conclusion, which I believe "assault" to be a legal terminology. I am not sure that we might all understand the term.

Senator ROTH. Did you ever strike Charl Dubosey?

Mr. ROBERTSON. Would you repeat the name?

Senator ROTH. Charl Dubosey? Would you please identify who she is?

Mr. ROBERTSON. She was one of the demonstrators that worked with our company for a while. She was a sales person.

Senator ROTH. Did you ever strike Ms. Dubosey?

Mr. ROBERTSON. I can't recall striking her.

Senator ROTH. What do you recall?

Mr. ROBERTSON. This particular person, Ms. Dubosey, was the type of person who was very temperamental. Looking back, she was very argumentative with the group. She could be a little problem, especially if she had too much to drink. She was involved in drugs.

I can remember a couple of occasions that I had to talk to her about termination and sending home if she got very rowdy and out of line. I can recall having to ask her to go to her room, or otherwise having to call the police. I think that I might have held her by her arms.

Senator ROTH. Did you strike her?

Mr. ROBERTSON. I could have, Mr. Roth, but I don't recall striking Ms. Dubosey.

Senator ROTH. What do you mean, you could have?

Mr. ROBERTSON. Being drunken and disorderly like she had been doing every other weekend, there were several occasions with this person.

Senator ROTH. You remember talking to her and telling her that her services were going to have to be terminated, but you don't recall having struck her. Does that seem credible to you?

Mr. ROBERTSON. I can't recall striking her. I can remember restraining her in a couple of drunken situations.

Senator ROTH. Do you recall using physical means in handling her?

Mr. ROBERTSON. Physically mean? As far as being physically mean to this individual, I can't recall.

Senator ROTH. I understand that a request has been made for a five-minute break. there will be a five-minute recess.

[Recess.]

Senator ROTH. The subcommittee will come to order.

Mr. Edge, is the testimony this morning correct that publishers hire your company, Mecca Enterprises, to contract for door-to-door sales crews?

Mr. EDGE. No. I have contracts with several publishers to clear magazine orders.

Senator ROTH. What do you mean by clear magazine orders?

Mr. EDGE. To process the magazine order and clear it through the publishers to see that the customer the subscription that they have ordered. It is called clearing.

Senator ROTH. Mr. Edge, is it correct that your company Hy-Pro manufactures an all-purpose cleaner which is marketed under several brand names, and contracts with door-to-door sales crews?

Mr. EDGE. Yes, sir.

Senator ROTH. It is my understanding, Mr. Edge, that you are one of the most important figures in the magazine and cleaning crews door-to-door sales industry. How many distributors do you clear magazines for?

Mr. EDGE. Approximately 25.

Senator ROTH. How many distributors sell you cleaning products?

Mr. EDGE. Approximately the same.

Senator ROTH. Would you estimate how may sales agents are employed by all these distributors at any given time?

Mr. EDGE. I would estimate that there is probably 400 to 500.

Senator ROTH. Who else in the door-to-door industry is involved with these kind of crews that generate the kind of sales that you do?

Mr. EDGE. I am sure, Mr. Chairman.

Senator ROTH. What are some of the other significant figures that are in the door-to-door industry?

Mr. EDGE. There are several large companies across the United States.

[See Exhibit No. 5 on p. 183.]

Senator ROTH. I would like you to supply, in writing, a list of the ones that you are familiar with.

Mr. EDGE. We have already supplied a list of all of them.

Senator ROTH. The record says that that is correct.

Have you ever terminated a business relationship with a distributor or anyone else due to reports of mistreatment of sales agents?

Mr. EDGE. I have never discontinued one for that because I have never received any of these complaints that we are hearing about from any of the sales people that are out in the field.

Senator ROTH. Do you look upon yourself as having any responsibility to be knowledgeable about such matters?

Mr. EDGE. The responsibility of being knowledgeable about it, I sit at my office, and I run my company, I am not involved with the different distributors and their sales crews.

I have in the past sales people that would notify the office if they did not get a bus ticket, or they did not receive their monies and asked if something could be done, and these would be turned over to the distributor. But I have not had any sales people contact the office and tell me that they had been abused.

Senator ROTH. How long have you known Horace Robertson?

Mr. EDGE. Probably since 1960.

Senator ROTH. You have the same lawyer. How long have you had a business relationship with Mr. Robertson?

Mr. EDGE. Approximately maybe three years, or four years.

Senator ROTH. How long have you had a business relationship with Vincent Pitts?

Mr. EDGE. Approximately six or even years.

Senator ROTH. Why don't you insist upon a written contract with Mr. Robertson as you do with your other distributors?

Mr. EDGE. Mr. Robertson used to work and clear his orders through a company that I did, and that is how I knew him, and this is before I started. He was out of the business for a number of years.

He called me one day, and said that he wanted to sell or get into the cleaning business. He did not know how long he would be, or if he would stay on the road. He wanted to buy the product, but he didn't want any contract or anything because he thought that he might open up his own cleaning business.

Senator ROTH. You have heard some very specific allegations being made against Mr. Robertson. Would any of these cause you to reconsider your business relationship?

Mr. EDGE. These allegations and everything that has been said today will be checked into, and, yea, it will.

Senator ROTH. If they prove true, what action will you take?

Mr. EDGE. If they prove true, I will probably discontinue working and selling product to Mr. Robertson.

Snator ROTH. Were you aware of any allegations made against Mr. Robertson prior to today's hearing?

Mr. EDGE. There has been questions through the investigation, and asking these questions, but until we were here today, we had not been notified of really what the committee wanted and what they were investigating. We had been asked questions.

Senator ROTH. Mr. Edge, I refer you to the chart which sets out your various companies, magazines and cleaning product. Why do you have so many companies under different names involved?

[See Exhibit No. 5 on p. 183.]

Mr. EDGE. It was on the advice of my accountant and attorneys. The main reason that it is broken down is to be able to keep better track of the distributors around the country, and if there are problems, where the problems are coming from.

Senator ROTH. Is it any way to avoid accountability or to aviod paying your taxes?

Mr. EDGE. No. sir, it is not.

Senator ROTH. What about the inactive companies listed on the bottom, can you reactivate them at any time if you need a business name for any reason?

Mr. EDGE. I could.

Senator ROTH. Mr. Edge, you stated in prior interviews with the staff that the distributors are all independent contractors, and you have no responsibility for any actions regarding sales agents. Is that correct?

Mr. EDGE. That is correct.

Senator ROTH. Is is true that for some distributors you make car loan payments, as well as child support payments, and payments for other expenditures, personal expenditures?

Mr. EDGE. It is true that all distributors have an account with me, and they run a credit, and they will ask for payment to be sent for them.

Senator ROTH. Do you have a group health insurance policy for your distributors?

Mr. EDGE. Yes.

Senator ROTH. We have a copy of memo from you to all of your distributors, which you provided to the subcommittee. This memo outlines part of the policy stipulations, and detailed rules for distributors. What happens if a distributor violates any of these policy stipulations?

Mr. EDGE. It would depend on what was violated, and why it was violated. Then it would be discussed and it would be straightened if they did follow them, or they would be discontinued.

Senator ROTH. Have there been any such violations?

Mr. EDGE. There have been violations over the years, yes.

Senator ROTH. What action did you take?

Mr. EDGE. Some distributors have been dismissed. Some sales people have been dismissed. Some distributors have been given information on the laws and guidelines that we must follow.

Senator ROTH. I have been very concerned, Mr. Edge, about the allegations that have been raised this morning, and also the apparent lack of accountability in the door-to-door industry. You are saying that the distributors are all on their own. The distributors say that the sales agents are all on their own. The magazine publishers, apparently, know very little, if anything, about the business.

Mr. Edge, who is accountable for abuses of the agents?

Mr. EDGE. Whoever gave the abuses to the individual is accountable for it. I don't feel that anyone has a right to abuse someone.

Senator ROTH. Do you feel that, as a key person in the line of organization, you have any responsibility whatsoever to determine what is going on with these door-to-door sales?

Mr. EDGE. I think that probably I, as a person, have a responsibility to work with or suggest to these different distributors that these things should not go on, yes.

Senator ROTH. Do you feel that you have a moral responsibility to investigate these distributors to see what kind of an operation they are running?

Mr. EDGE. I think that I have a moral obligation, if I receive a complaint, or I have been told and I have proof that these people are being abused, yes, sir.

Senator ROTH. Do you think that you should wait possibly until somebody comes to you, or do you think that you have some responsibility to investigate first-hand and retain some general overview as to what is happening in this kind of situation?

Mr. EDGE. In my position, I do not have the right to go out and interfere in their business. I do not have the right to go out and subject the sales staff to interrogation by me. If I do get a complaint, I do feel that it is proper for me to investigate.

Senator ROTH. You have heard the allegations this morning, and certainly others have raised some of the same concerns. You have, of course, the right to develop whatever kind of legal relationship that you want with these distributors, you could assume the responsibility, and legally that would be doable.

Mr. EDGE. No, I don't think that I can assume that responsibility just if I choose to.

Senator ROTH. It could not be worked out in the relationship with these same distributors where you have some responsibility if you so chose?

Mr. EDGE. They are independent people.

Senator ROTH. But you could have responsibility for the sales people as well, couldn't you, that would be one of your options, if you so chose?

Mr. EDGE. I would be responsible for the sales people?

Senator ROTH. Yes. What I am saying is, do you feel that as one who is benefiting from the profits made on what one person has called slave labor that you have any responsibility to ensure that these individuals, even though you have no legal responsibility, are reasonably paid?

Mr. EDGE. Yes. I think any time that a solicitor or a salesman would notify me that they did not get their money.

Senator ROTH. How would you change your way of doing business from the way that it is being run today?

Mr. EDGE. I don't think that I can give you the answer right off the top of my head because some of this has got to be investigated and it does have to be gone through.

Senator ROTH. Assuming that some of these door-to-door sales agents are being exploited, do you think that this should be allowed to continue?

Mr. EDGE. No, sir.

Senator ROTH. What will you do to correct it?

Mr. EDGE. I would probably make the company policies that the distributors must have a certain way of accounting to the sales people at a certain time and way. It has been suggested in the past—There are a lot of different methods than what has been brought up here today. There are sales organizations that do pay their sales people weekly and monthly. They get a whole statement, and they get a check at the end of each month or each week.

Senator ROTH. There is another service that you supply to these so-called "independent contractors," you forward mail and telephone messages for the sales agents. Is that correct?

Mr. EDGE. Yes, sir, it is.

Senator ROTH. Do you always know where the crews are and how they can be reached?

Mr. EDGE. Basically, most of the time, yes, sir.

Senator ROTH. Do you know who is on a distributor's crews, that Joe Jones joined the crew today, and on Thursday, his father has an urgent message for him; can that be done?

Mr. EDGE. Yes, in most cases, it can, sir.

Senator ROTH. We received a call just last week from a father whose son is on a sales crew that sells Tuff-and-Tidy cleaner. Is that one of your products?

Mr. EDGE. Yes, sir, it is.

Senator ROTH. The father had talked to his son, and his son was ill. His father was very concerned about his health, and he wanted to contact his son. He said that he called your office in Texas, and he was told that nobody knew where his son was staying. How did this happen in view of your earlier answer? Is that a common occurrence?

Mr. EDGE. It is not a common occurrence. A lot of times, different distributors have sales crews, what they call jump crews, that are out and they do not report—the jump crews do not report their address. The manager may be in another city on business, or vacation, or at home, and we don't know where they are that week. It does happen from time to time.

Senator ROTH. Is it true, Mr. Edge, that in 1975,, a Minnesota Court ruled that Mecca's independent contractors and their door-to-door sales agents were in reality employees of Mecca, and that the Minnesota Supreme Court upheld that ruling?

Mr. EDGE. I believe that this is the ruling that Minnesota made.

Senator ROTH. But you still maintain that the distributors and sales agents are not employees of Mecca; is that right?

Mr. EDGE. Yes, sir, I do.

Senator ROTH. Why?

Mr. EDGE. Well, the case in Minnesota, I don't think that the finding was fair. I am not their employer. They do not work for me. They do not answer to me, the sales people, the distributors, or anyone else.

Senator ROTH. The Minnesota Courts, which have the responsibility within their jurisdiction, found that Mecca, through its employees, engaged in fraudulent recruiting and sales practices. Is that right?

Mr. EDGE. They did find that, yes.

Senator ROTH. Mecca was subsequently found guilty of violating the Minnesota court order by engaging in deceptive recruiting practices?

Mr. EDGE. That was their finding.

Senator ROTH. What has Mecca now done to ensure that it will be in compliance with Minnesota law?

Mr. EDGE. Mecca disengaged some of the distributors that was involved that had the sales people that were misrepresenting the publications.

Senator ROTH. Do some of your crews still operate in Minnesota?

Mr. EDGE. Some crews operate through different companies. Mecca does not operate in Minnesota any longer.

Senator ROTH. Mr. Edge, a few minutes ago you said to me that you would take corrective action. It is really pretty clear form the record that you have had similar problems in the past, and it does not give me much confidence for what you will do in the future, but let me move forward.

Mr. EDGE. Could I respond to what you have said, sir?

Senator ROTH. Yes.

Mr. EDGE. I think the Minnesota thing, you know, there was a certain group of sales people that were misrepresenting the sales of publications, and there were certain individuals that were misrepresenting hiring.

Senator ROTH. Are you no longer Mecca, and you are using another company?

Mr. EDGE. No, I still have Mecca.

Senator ROTH. I mean for Minnesota, are you using another one of your companies for distribution purposes?

Mr. EDGE. Yes, the other companies do work in Minnesota and have since, and we have not had a problem in Minnesota since then, with the exception of one incident.

Senator ROTH. I would like to get some idea of how profitable the door-to-door sales business has been for you. Could you tell us what your gross receipts were for 1986?

Mr. EDGE. I could not tell you without looking at my tax forms. That has all been provided to the committee.

Senator ROTH. It is my understanding that your 1985 tax return reflects gross receipts of $4,711,230 for your consolidated businesses. Does that sound correct to you?

Mr. EDGE. I can't hear you very well, sir.

Senator ROTH. The 1985 tax return shows gross receipts of $4,711,000 for your consolidated businesses, of that, $3,900,000 is from door-to-door sales.

Mr. EDGE. That sounds about right.

Senator ROTH. Can you tell us what your net profit was for 1985?

Mr. EDGE. No, not without looking at my return.

Senator ROTH. Did you pay any taxes that year?

Mr. EDGE. I think that the companies did not, no.

Senator ROTH. Would you explain why you had a net loss, despite almost $5 million in gross receipts?

Mr. EDGE. It was probably through investment and depreciation. I would have to ask my accountant.

Senator ROTH. Would it be fair to say that the door-to-door sales business has been quite profitable for you?

Mr. EDGE. Yes, sir, it has.

Senator ROTH. It has made you a wealthy man.

Mr. EDGE. That is a matter of opinion.

Senator ROTH. What salary are you paid?

Mr. EDGE. I make approximately $290,000 a year.

Senator ROTH. Does it bother you that so many of these hard working young men and women can't get out of debt to your distributors?

Mr. EDGE. Yes, that bothers me, but I also understand why basically they get into debt, too.

Mr. RINZEL. Mr. Edge, you indicated, in response to Senator Roth's question, that this was the first time that you had ever

heard of complaints about Mr. Robertson and how he operates his crew with respect to the salesmen. Is that correct, is this the first time you have heard any complaints about Mr. Robertson?

Mr. EDGE It is not the first time that I have heard of complaints. There was an incident a year or so ago that started in White Plains, New York.

Mr. RINZEL. You were in touch with him on the telephone when the police was at the hotel, were you not?

Mr. EDGE Yes.

Mr. RINZEL. Did you ever look into that incident to find out why all those crew members left his crew, and the police came to the hotel?

Mr. EDGE I did.

Mr. RINZEL. What conclusion did you come to since you still have a financial relationship with Mr. Robertson?

Mr. EDGE I called Mr. Robertson, and I discussed it with him. He told me what happened. I did call the police in White Plains, New York, to verify the story that Mr. Robertson had told me. There was not any confirmation that these people had been abused. There were some that wanted leave and could not leave. I think at the time we had approximately 65 to 70 people there, and when the police did come, there were ten or 11 of them who wanted to leave, and they left.

Mr. RINZEL. Did you ever try to contact any of the sales agents to find out why they wanted to leave and why they were making these complaints of abuse?

Mr. EDGE No, I did not.

Mr. RINZEL. Are you familiar with the incident in Indianapolis, Indiana, when virtually the same thing happened as in White Plains, the hotel was raided by the police, and a large number of his crew members left there under police protection?

Mr. EDGE. I am familiar with that, yes.

Mr. RINZEL. Why has that not had any effect on your view of how Mr. Robertson operates his crew, and whether he abuses his crew?

Mr. EDGE. It has had an effect because how this incident, the way I understand it, through the police and everything, came down. There was a complaint that there was a person who wanted to leave his sales staff. I believe that night the FBI, the sheriff, the local people, and everyone came to his motel. They arrested Mr. Robertson and took him away from his hotel for not aiding a police officer in an investigation.

The FBI, the sheriff and the local police interviewed all of the sales people. I believe that this was on a Thursday night. No one on that crew left. No one wanted to leave. They dropped charges on Mr. Robertson the next day.

He went back to his hotel, and that is when he called me and discussed it with me. He asked me if he should leave, and I told him that I could not tell him what to do. He wanted to sue the city, and I said that he should get an attorney and seek his opinion. No one in that organization left then.

On Saturday morning there was another incident where an outsider came in, checked into a room, called the TV people, called the

police again, now that woman, two days later, 16 people wanted to leave.

Mr. RINZEL. You believe that Mr. Robertson must not have been doing anything wrong because it took this woman two days to talk these people into overcoming their fear and deciding that they wanted to leave under police protection?

Mr. EDGE. I don't believe that the people had any fear because Mr. Robertson wasn't there, he was in jail, what were they fearful of?

I do understand how people work out there, and I do understand what happens on these crews. I do understand that when the police and outside people come in, and work to prepare people to do this that it can happen.

Mr. RINZEL. It sounds, Mr. Edge, that you require something on the level of proof beyond a reasonable doubt before you are going to take any kind of action to terminate your relationship with these crew leaders; is that right?

Mr. EDGE. It was not reported in Indianapolis that there was any abuse. It said that they wanted to leave.

Mr. RINZEL. I would like to ask you and Mr. Robertson, do either one of you have an arrest record, and if so, would you tell us where these were?

Mr. Robertson?

Mr. ROBERTSON. Yes.

Mr. RINZEL. Besides the time you were arrested in Indianapolis for interfering with a police officer, when else have you been arrested?

Mr. ROBERTSON. In the State of Washington, I was arrested for assault. I forget what year it was, but it was a number of years ago. I was arrested for soliciting without a permit.

Mr. RINZEL. Where?

Mr. ROBERTSON. In Virginia, I can't remember the town—Virginia Beach, Virginia.

Mr. RINZEL. Were you arrested in Galveston, Texas, for vagrancy?

Mr. ROBERTSON. That would be in my high school days, and I could have been, but I can't recall that arrest. Do you have the year?

Mr. RINZEL. That was way back in 1957.

Mr. ROBERTSON. I could have been arrested for vagrancy, but I don't recall the arrest.

Mr. RINZEL. February, 1970, in Franklin, Illinois, for battery and unlawful restraint, do you remember that one?

Mr. ROBERTSON. Could you repeat that?

Mr. RINZEL. You were arrested for battery and unlawful restraint in February, 1970, in Franklin, Illinois?

Mr. ROBERTSON. What year was that?

Mr. RINZEL. It was in 1970.

Mr. ROBERTSON. I think I was arrested. I know I was drinking that day I was arrested for something, but I forgot what it was for.

Mr. RINZEL. Clayton, Missouri, in 1969, for common assault.

Mr. ROBERTSON. Could you repeat that?

Mr. RINZEL. Common assault.

Mr. ROBERTSON. Could you name the place and time?

Mr. RINZEL. The place was Missouri, Clayton, Missouri, September 12, 1969.

Mr. ROBERTSON. I can't recall the arrest.

Mr. RINZEL. On your rap sheet, we have 22 arrests, the most recent one being on November 5, 1985, for refusing to aid a police officer in Indianapolis. Would 22 be the approximate number of times you have been arrested?

Mr. ROBERTSON. I never saw what you call my rap sheet. I don't really know how many times I have been arrested. I know I have been arrested several times traveling, but as far as the number of times, I don't really know that information. I accept that information.

Mr. RINZEL. Would approximately 20 times be a ballpark figure?

They don't get all of the arrests on your rap sheet. The arrests must have been reported to the FBI in order for the arrest to appear, so we may have missed a few.

Mr. ROBERTSON. I never counted the amount of times that I have been arrested in my life, Mr. Rinzel. I have been arrested for soliciting without a license. That could be the number, but I never saw that information.

Mr. RINZEL. Assault, second degree, assault, third degree, disorderly, forgery, suspected grand larceny, soliciting without a license.

Mr. ROBERTSON. Those are some of the arrests that I am not familiar with or aware of.

Mr. RINZEL. Mr. Edge, have you ever been arrested?

Mr. EDGE. A number of times for soliciting without a license. I have never been arrested for any crime.

[See Exhibit No. 6 on p. 184.]

Mr. RINZEL. I have no further questions.

Mr. ROBERTSON. Could I ask Mr. Rinzel a question?

Mr. ROTH. Yes.

Mr. ROBERTSON. Did you mention forgery?

Mr. RINZEL. Yes, I did.

Mr. ROBERTSON. Some of that information I am not familiar with whatsoever.

Mr. RINZEL. The Phoenix Police Department, Phoenix, Arizona, January 13, 1960.

Senator ROTH. The witnesses are excused.

Mr. JOHNSON. Mr. Chairman, may I make a request of the court?

May I ask the Chairman to instruct the news media to please leave us alone, at least until we get out of the hearing room. I was afraid that we were not going to be able to go to the restroom the last time. Some of the news reporters here are very persistent.

Senator ROTH. The news reporters are responsible for their own conduct. They are independent contractors.

[General laughter.]

Senator ROTH. The next witness will come forward.

Mr. Steiger, would you remain standing, you will be sworn.

Please raise your right hand. Do you swear to tell the truth, the whole truth and nothing but the truth so help you God?

Mr. STEIGER. I do.

Mr. Steiger, you are our last witness, we will not keep you here for long. You are with Dale Steiger and Associates of New York City. Mr. Steiger, you act as a consultant to several publishers in

their dealings with magazine clearing houses which contract with the door-to-door sales groups. Do you have a prepared statement?

Mr. STEIGER. I have a brief one.

## TESTIMONY OF DALE STEIGER, PUBLISHER CONSULTANT

Mr. STEIGER. My name is Dale Steiger and I reside at 511 Forest Avenue, Rye, New York. My business, Dale Steiger Associates, operates out of 488 Madison Avenue, New York City. I serve as a publisher consultant to a variety of consumer and business publications and newsletters.

My business was established in 1972 after 15 years with Look Magazine working out of both Des Moines, Iowa, and New York City. During the years with Look, I managed several sectors of the circulation enterprise, including those in the subscription division and our direct sales division, which consisted of ten subsidiary companies selling Look and hundreds of other magazines in a variety of ways.

Prior to Look's closing, I joined the Curtis Publishing Company in New York and Indianapolis, becoming the circulation director and subsequently director of marketing and associate publisher of the "New" Saturday Evening Post.

My consulting work covers all aspects of publishing, ranging from newsstand sales, subscription sales, both through direct response and direct sales produced by subscription agencies, fulfillment, advertising, promotion, acquisitions, divestitures, and start-ups.

I presently handle all or some of these functions for 36 magazines and have been involved in similar work for 74 other publications during these past 15 years.

For a time, with Look, I served on the Board of Central Registry of the Magazine Publishers Association for both cash and paid-during-service agencies. For serveral years, I also served on the Canadian Central Registry Board. Central Registry existed to secure the registration of all the cash field and paid-during-service field selling operators and to assist in monitoring proper sales.

Industry recogniton has come to me over the years in a variety of ways, including receipt of the Lee C. Williams Memorial Award sponsored by the Fulfillment Management Association and the Circulation Committee on the Magazine Publishers Assocation for outstanding contribution to the periodical publishing circulation field and also by inclusion in Who's Who In the World.

Senator ROTH. Mr. Steiger, you pointed out that you represent a number of publishers in their business relationships with the magazine clearing houses. What magazines do you represent that are sold door-to-door?

Mr. STEIGER. I submitted a list for the record, among them are: American Photographer, Antique Monthly, Audio, Backpacker, High School Guide, Boating, Car and Driver, Cycle, Cycle World, Field and Stream, Gold Illustrated, Flying, 1001 Home Ideas, Health, Home Mechanics, Horizon, Lefthander, Ms. Magazine, Flying, Popular Photography, Savvy, Skiing, Saturday Review, Homeowner, Sporting News, U.S. News and World Report, Walk-

ing, Weight-Watchers, Women's Day, and many other magazines with similar contents.

Senator ROTH. This is an impressive list, and we will put that list in the record.[6]

Do you see the chart to your right?

Mr. STEIGER. Yes.

Senator ROTH. Is that pretty accurate?

Mr. STEIGER. I have never heard of my work characterized as being a "broker" before. Apparently, the agencies feel that this is what I do for the publishers. I help them establish relationships with subscription agencies and to assist them in getting subscriptions that way.

Senator ROTH. Am I correct that you also authorize the agencies to sell subscriptions for your publisher clients?

Mr. STEIGER. For many of them, I do.

Senator ROTH. I see that Mr. Edge's company is one of the companies that you have authorized to sell subscriptions for your publisher clients; is that right?

Mr. STEIGER. Yes, it is.

Senator ROTH. I have here an article written by you called "Subscription Agency Opportunities," that appeared in a book called "The Handbook of Circulation Management" published in 1980. On page 206, you say, "The cash field sales agencies will continue to produce at a reliable high volume level for many leading magazines." Could you estimate what percentage of overall magazine sales are made by door-by-door groups?

Mr. STEIGER. Overall?

Senator ROTH. Yes.

Mr. STEIGER. Of our own clients, 1 percent.

Senator ROTH. For specific magazines, are some larger than that?

Mr. STEIGER. Surely. For some publications that do not have access to subscription mailing lists, they would rely on the cash subscription agencies for certain resources for production. In some cases, it might run 15 to 20 percent, but overall it is a very small portion.

Senator ROTH. Do you know whether any of your publisher clients have made efforts to determine how sales agents are treated on the crews that sell their magazines?

Mr. STEIGER. Essentially, they have not. Over the years, they have traditionally had to rely on two organizations that register them or at least become their associate members. One is the Magazine Publishers Association, and the other is the Audit Bureau of Circulations.

The publishers recognize that agencies are independent businesses, and they will accept them as being a good sales operation with reasonable sales practices.

Senator ROTH. Has any publisher ever asked you not to do business with particular door-to-door sales groups because of their treatment of the sales agents?

Mr. STEIGER. There has been one company that, in the past, furnished me with a list of agencies, that I should contract with the

[6] See p. 168. For information submitted by Mr. Steiger.

companies that we authorized, but I should not do business with the publications on this list. There were about 40 or 50 names that I did not basically recognize.

Senator ROTH. Do the publishers rely on you for that type of information?

Mr. STEIGER. Most of them do.

Senator ROTH. Do you do anything affirmative to assure yourself that these abusive practices are not taking place in door-to-door sales?

Mr. STEIGER. The abusive practices that are under discussion here are basically new information to the publishing community. They are relying on the results of the committee's investigation to make some decision relative to that problem.

Senator ROTH. Would you expand on what you expect publishers will do on the basis of these findings?

Mr. STEIGER. Presently, these are allegations. They seem very serious, of course. Over the years, in my work with many magazines, we relied on Central Registry, which is one of the organizations that I mentioned before, for acceptability of an agency's worth in how it conducted its business.

Presently, there is the Magazine Publishers Association, and the Audit Bureau of Circulations, and if they are accepted for membership in those organizations, the publishers are basically saying: We will accept them on our list as selling companies. That is the criteria that I use, although I have known most of the people who sell magazines as owners of companies for 25 or 30 years. In the past the allegations have tended to be in the area of sale misrepresentation and not physical abuse.

Senator ROTH. Mr. Steiger, I see from your resume that you have been in the business for a long time. I understand that originally the publishing business sponsored their own sales crews, but that has changed. Is it true that the change was in part because the FTC started tracking down publishing companies for the activities of the crews?

Mr. STEIGER. In my recollection, when I worked with Look, we were the only publisher who had a cash sales operation. We had many paid-during-service agencies that worked for publishers. We sold Periodical Sales Co. many, many years ago, so there were no publisher-owned companies in the cash sales, they were all independent, and they relied on the telephone for selling magazine.

The Federal Trade Commission began to get involved because of the misleading sales practices, and that led Cowles, the company I worked for at that time, to disengage.

Senator ROTH. Mr. Steiger, I am concerned by what we have heard today, and what our investigative staff has found, as well as the testimony of the Attorney General from New York. It bothers me very greatly that no one really wants to take accountability, and that the practice has developed whereby young people, young men and young women, are being exploited.

It seems to me that too many people are being Pontius Pilate and washing their hands of the events, when they have a responsibility. I think that this is particularly true of the publishing business which takes it upon itself and does a very straight job of inves-

tigating abuse, corruption, and bad practices in our society as a whole.

So the mere fact that there is only 1 percent or some small percentage, nevertheless, they are benefiting from these practices. I would hope that you, in your position of responsibility, would take that message home, because I think that it is intolerable that we have this kind of a situation develop.

Mr. STEIGER. No responsible publisher would argue with you.

Senator ROTH. I have no further questions for you.

Mr. RINZEL. Mr. Chairman, with your permission, I would like to add some material to the record. We have letters from the Department of Labor, and the FTC regarding the subject matter of this hearing, a statement from R. Lee Bradby, and a statement from a group, Parent Watch, which we would like to introduce into the record, and the statement by Patricia Reynolds. We also have other statements submitted for the record that will be included in the list of exhibits.

Senator ROTH. Without objection.

[The material referred to was marked Exhibit Nos. 7–13 respectively and may be found on pp. 186–217. The statement by Patricia Reynolds has been retained in the subcommittee files.]

Senator ROTH. Mr. Steiger, I appreciate your being here today.

Again I want to say that this subcommittee will be introducing legislation to help correct some of these abuses, and we will be following what develops. I think that it is a sad day, in this country, when a number of fine young people, both young men and young women, who seek opportunities, are exploited and brutalized, and we intend to see that is doesn't continue.

Mr. STEIGER. I will carry your message.

Senator ROTH. Thank you, Mr. Steiger.

The subcommittee stands in recess.

[Whereupon, at 2:20 p.m., the subcommittee recessed to reconvene at the call of the Chair.]

# APPENDIX

DOOR-TO-DOOR SALES PRACTICES

* * * * * *

STAFF STUDY

MADE BY

THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

APRIL 6, 1987

STAFF STATEMENT

I. INTRODUCTION

Recently, allegations that sales agents in some traveling door-to-door sales organizations are victims of exploitation and abuse have surfaced on the front page of The Wall Street Journal, on nationally televised news programs, as well as periodically in local newspapers and on local television stations. Accordingly, the Permanent Subcommittee on Investigations initiated an investigation to explore what happens to sales agents when they join the crews of certain traveling door-to-door sales organizations. Staff set out to determine the extent of the problem, if there was abuse, and if so, the severity of the abuse.

The staff concentrated on traveling sales organizations that sell magazine subscriptions and chemical cleaning products, as these were the groups that were the subject of the most complaints. In the course of its investigation, staff interviewed approximately 65 former and current sales agents, as well as crew chiefs, car handlers, and owners of companies that provide services to the crew chiefs. The staff also interviewed federal, state and local law enforcement officials, representatives of private groups that have monitored the activities of the sales organizations, publishers, and others. In addition, staff obtained and examined documents from many of these individuals and groups, including contracts, pay records, bank records, complaints, correspondence and investigative reports. While it was virtually impossible to determine how many crews there are because of their mobility and the absence of a centralized information source about the groups, staff concluded there may be hundreds of crews traveling throughout the country, employing thousands of young adults. The staff heard an alarming number of reports of agent abuse, including numerous instances of physical abuse, some of which you will hear about from witnesses today.

The primary focus of the staff's investigation was on the recruitment and treatment of sales agents by the traveling door-to-door sales organizations. The most striking thing that emerged from interviews of agents in several different crews was the similarity of the experiences described by the agents. Although individual assessments of the experiences differ, the basic operations of the groups appear relatively constant. While many of the current and former sales agents reported favorable experiences with the groups, a significant number felt exploited and victimized. On balance, the staff concluded that there is a problem out there--one that requires more public exposure, better coordination among law enforcement, and some measure of real

protection for the young sales agents who commit to travel with the crews, but often end up being taken for a ride.

II. INDUSTRY STRUCTURE

For door-to-door magazine sales, the top-down structure is as follows. The publisher (either directly, or through a consultant/broker) authorizes a magazine clearinghouse, for a percentage of the sales price, to sell subscriptions to its magazines. The magazine clearinghouse, in turn, contracts with distributors who operate door-to-door sales crews to actually sell the magazines in the field. The sales agent receives a commission on his sales. The distributor then sends the orders back to the clearinghouse for processing to the publishers and receives a commission from the clearinghouse on the sales. (See Attachment 1). Thus, for every magazine order sold, the publisher, the magazine clearinghouse, the distributor, and the sales agent each receive some percentage of the sales price. (See Attachment 2). For door-to-door cleaning product sales, the structure is less complicated. The chemicals manufacturer sells the product wholesale to the distributors who operate door-to-door sales crews. The distributor resells the product at retail, and splits the commission with the sales agent.

On the crew level, each crew has a manager, also known variously as a crew chief, a distributor, or a franchisee. This individual is responsible for recruiting, hiring, housing, transporting, and paying the sales agents in the crew. Depending on the size of the crew, there may also be one or more junior managers and one or more car handlers. The junior manager is responsible for the crew if the manager is away and, in large groups, often takes a portion of the crew to different selling locations for a few days (this is called a "jump" or a "spur" crew). A junior manager, sponsored by a manager, is being groomed to become a manager of his own crew. Most junior managers (as well as managers) have worked themselves up the ranks within the crew, starting as door-to-door sales agents, becoming car handlers, and then junior managers. Car handlers are sales agents who have performed well. They drive the crew vehicles, and drop off and pick up the sales agents who are selling "on territory" during the day. Some car handlers also spend part of the day making sales themselves. They usually receive a commission based on the number of sales made by the agents in their vehicles that day. The largest crews also have some salaried employees, such as secretaries and recruiters.

As set forth previously, the crew managers do not themselves obtain authorizations from publishing companies to sell magazine subscriptions nor do they manufacture the chemical cleaning products. Instead, they form business relationships with so-called magazine clearinghouses and chemical manufacturers. This report will generally describe the relationships between two magazine clearinghouse companies and the crew managers affiliated with those companies. The two companies are Mecca Enterprises,

Inc. ("Mecca") in Arlington, Texas and Summit Publishers Service, Inc. ("Summit") in Spring, Texas. Mecca also owns 100 percent of Hy-Pro Chemical Corporation, which manufacturers an all-purpose chemical cleaner, distributed by door-to-door sales agents. These companies are large, well-established, and in many respects, representative of others in the industry.

Mecca Enterprises, Inc.

Joseph W. Edge, who will testify today, is President of Mecca Enterprises, a business begun in 1972 and located in Arlington, Texas. Don Fish is Vice President of the Company, and Martha Burghardt is Secretary/Treasurer. Mr. Edge employs approximately 20 full-time employees in the office who process customers' subscription orders and do the paperwork for the chemical manufacturing business.

A holding company, J.A.B.E., Inc., in which Mr. Edge is the sole stockholder, holds the stock of the Edge-owned magazine and chemical manufacturing businesses. J.A.B.E. owns 100 percent of Mecca, the company that contracts with the publishers (either directly or through broker/consultants or other clearinghouses) and has the authority to clear magazine subscription orders for the publishers. National Circulation House is an Edge-owned corporation that contracts with Mecca to clear publication orders for other Edge companies called Circulation Builders of America, Inc. and U.S. Publishers Circulation, Inc. It is these two latter companies that directly contract with distributors who operate door-to-door sales crews in the field. Mr. Edge also owns other companies under the same umbrella, but these companies are currently inactive. (See Attachment 3).

Mecca Enterprises also owns 100 percent of Hy-Pro Chemical Corporation ("Hy-Pro"), which manufacturers an all-purpose chemical cleaner in, Arlington, Texas. Mr. Edge employs three to five employees in the manufacturing warehouse. The cleaner is marketed through three Edge companies, Ultra-Kleen Chemical Company, Do It All Chemical Company, and Tuff-n-Tidy Chemical Company. Hy-Pro contracts with distributors operating door-to-door sales crews in the field.

Magazines

Circulation Builders of America, Inc. and U.S. Publishers Circulation, Inc. have business relationships with approximately 20 to 25 distributors that operate door-to-door sales crews. The distributors enter into "distribution agreements" (see example, Attachment No. 4), that provide, among other things, that the distributor "is not an employee of the Company and not a partner of any joint venture, agent or representative thereof, but it acts solely as an independent contractor...." The agreement further provides that the distributor agrees that "no control over its organization as (sic) exercised by the Company." The Company does retain the right to terminate the agreement at any

time for reasonable cause. The Edge distributors have distributor account numbers with the company, and are generally known by the last name of the distributor (e.g., Smith Sales Organization).

The Edge companies provide a number of services to their magazine sales distributors. These include clearing (processing) the magazine subscriptions sold by the sales crews, handling refunds and customer complaints, keeping distributors' accounts, providing various printed materials for use in the crews, forwarding mail to the distributors and their sales agents once a week, publishing a bulletin showing the sales of the various sales organizations, and keeping track of cash award points that the sales agents can earn. The companies provide a group health policy that the distributors can elect and pay for out of their accounts.

When sales agents sell magazine subscriptions, they collect part of the subscription price at the door ("the front") in cash or checks, and the customer mails in the remainder to the Edge companies. The distributor keeps the entire front portion for expenses on the road, such as sales agent commissions, gasoline, and vehicle repair expenses. The distributor also receives a percentage of the mail-in portion, and that amount is credited to the distributor's account. If a distributor experiences a cash flow problem on the road, the companies will wire funds to the distributor and debit his account. The distributors can earn up to several hundred thousand dollars a year, depending on the size of their crews and the intensity of their efforts. Mecca Enterprises, Inc. remits a portion of each magazine's sales price to the appropriate publisher.

Cleaning Products

Hy-Pro Chemical contracts with approximately 20 to 25 distributors who run traveling door-to-door sales organizations in the field, and another 50 or 60 distributors without sales crews that sell the product in their own local areas. Chemical cleaner distributors with sales crews enter into "distribution agreements" with Hy-Pro, which provide that the "Distributor is acting under this agreement as an independent contractor, and not as an employee, agent or partner" of Hy-Pro (see example, Attachment No. 5). Mr. Edge currently has a distributor contract with Hy-Pro, but another distributor runs the crew on his behalf.

The financial arrangement with the chemical cleaning product distributors is different than that with the magazine distributors. The chemical cleaning product distributors purchase the product from the Edge companies by the case, at a cost of $20 to $50 a case; they do not receive any compensation or commission from Hy-Pro. A case of gallons has six gallons, a case of half-gallons has nine half-gallons, and a case of quarts has 12 quarts. The distributors can resell the product at any price they choose -- the sales prices range generally from $25 to

$39 a gallon, and the distributors do not remit any of the profit from these sales to Hy-Pro. Generally, the cleaning product distributors are able to make more money than the magazine distributors.

The staff was told that all of the distributors affiliated with the Edge companies are solely responsible for recruiting, hiring, paying, transporting, housing, and terminating their sales agents, setting the working hours of their crews, and choosing selling locations. However, a Mecca memorandum dated March 28, 1977 sets forth various company policies applicable to all contracting distributors. (See Attachment No. 6). Most distributors send to Mecca various records such as sales agents' contracts and discontinuance agreements, and these are retained by Mecca. The sales agents' pay records remain in the possession of the distributors.

In 1985, J.A.B.E. and its subsidiaries (which also includes Edgewood Farms, Inc., a horse-breeding business) had gross receipts of sales of $5,300,688. Mr. Edge drew a salary from these businesses of $294,693.

Summit Publishers Service, Inc.

Robert L. Pennington is President of a magazine clearinghouse business called 4805 d/b/a Summit Publishers Service, Inc. He started Summit in late 1982. The company is headquartered in Spring, Texas, and the other officers are Lenore Chapman, Secretary, and Paul Rosen, General Counsel. Mr. Pennington employs approximately 16 people in the office. Summit contracts with publishers (either directly, or through broker/consultants or other clearinghouses) to sell magazine subscriptions, and remits to the publishers a percentage of the magazines' sales prices.

Summit has business relationships with approximately 25 crew managers. These individuals have numbered accounts with the company, and their sales organizations have names such as "Aristocrats," "Elite Sales" and "Thoroughbreds." The older contracts with these individuals were called "distribution agreements," and they are remarkably similar to those used by Mecca. (See sample, Attachment No. 7). Most of these older contracts have been superceded by documents called "franchise agreements." (See sample, Attachment No. 8). As with the Mecca contracts, the Summit agreements deem the signatory crew managers to be "independent contractors," not employees of Summit, and vest control of the operation of the sales organization and working conditions of the sales agents in the crew managers. Despite this, Summit sent a memorandum "to all franchisees" in May 1986, making clear that the company would not deal with franchisees who had any involvement with drugs. Further, the memorandum stipulated that "(a)ll agents are to be treated in a proper manner. They must be given transportation if they wish to

do so along with enough money to eat on. No physical violence is permitted." (See Attachment No. 9).

The Summit franchisees use 50 percent of the cash and checks collected at the customers' doors for expenses in the field, and receive, as a commission, 25 to 50 percent of the mail-in balance of the subscription price. As with Mecca, Summit keeps accounts for the franchisees, clears their orders to the publishers, provides printed supplies, publishes a bulletin, keeps track of contest points and forwards mail and messages to the franchisees and the sales agents.

In 1985, Summit had gross receipts or sales of $1,399,198. As of December 1986, Mr. Pennington drew a salary of $1,300 per week.

During our investigation, we heard allegations that the various magazine clearinghouses and chemicals manufacturers were working together, but we were not able to establish any formal ownership or business links between them other than the practice of some clearinghouses occasionally clearing magazine subscriptions through competitors' clearinghouses. However, many of the company owners know each other, and many use identical or very similar printed materials in their busineses; these materials undoubtedly have a common genesis. Also, a few of the owners have banded together to fight restrictive solicitors' laws in certain jurisdictions.

## III. TREATMENT OF SALES AGENTS

### A. Recruitment

The odyssey generally begins when a young man or woman, typically 18 to 25 years of age, answers an advertisement in a local newspaper promising travel to glamorous places and good earnings. (See Attachment No. 10). Few, if any of these ads, mention door-to-door sales. Some groups also recruit by placing ads on radio stations, or solicit recruits in restaurants, shopping malls, or in other public places. Many of the young people who respond to these ads have few job skills, have been unable to find other employment or are working in minimum wage service jobs, have been in trouble with the law, or have family problems. Others merely are enticed by the prospects of exciting travel and good pay.

When the prospective agent responds to the ad, usually by calling a listed number, he or she is invited to an interview at a local hotel or motel. Little or no information about the job is conveyed over the telephone.

At the interviews, the recruits are given rudimentary information about the jobs. A disturbing number of sales agents told us that they accepted employment without understanding that they would be engaged in door-to-door sales, but instead believed

they would be working for airlines, or doing fashion consulting, or demonstrating products to businesses. Most remember enthusiastic descriptions of fun, travel, and money. Many were shown photo albums of young people at parties, at the beach, or in various exotic travel locations. The recruiters generally promise an expense-paid training period and paid transportation home if the agent wishes to leave.

The applicant may be asked to fill out an "independent contractor agreement" that may double as an application and an employment contract. (See Attachment No. 11). The application part may ask for personal descriptive information about the recruit and have spaces for character references. However, with few exceptions, no background checks are conducted. The contract portion generally sets forth that he agent is an "independent contractor," paid on commission, and responsible for paying his own taxes and living expenses. While sales agents told us they were sometimes told "you will be working for yourself," there was little or no attention paid by the recruiter (or the recruit) to the terms or implications of the agreement itself. Sales agents never received copies of the documents they signed.

More important than what the recruits are told during their interviews is what they are <u>not</u> told. Few, if any, understood that they would never receive a regular paycheck, but instead would have to leave their earnings "on the books," and have to pay for all their food, laundry, entertainment and personal expenses with a nightly allowance ("draw") averaging $8 to $15. In some instances, the nightly draw was lower than $8.00, and on occasion, an agent with no sales was given no money at all. Nor did they realize that the nightly draw, hotel expenses and various miscellaneous charges would be deducted from their "books" by the crew managers. No one we spoke to learned at their interviews that their sales organizations might also deduct so-called "fines" ranging from $1.00 to hundreds of dollars for infractions of rules such as being late for meetings, being in the room of a member of the opposite sex, or drinking on the hotel property. Although the recruiters would speak in glowing terms of possible earnings, none mentioned that large numbers of sales agents end up, day after day, week after week, and at their termination, in debt to the sales organization.

Also rarely mentioned by recruiters was the long length of the work day, the hotel accommodations (usually two to a bed), or the lack of any health insurance or unemployment benefits. The subject of sales permits required by local jurisdictions is not discussed (either that they are required or who will pay for them), nor is the possibility that agents may be arrested for soliciting without such permits. Needless to say, no sales agent was informed that he or she might be subject to physical abuse, verbal abuse, sexual harassment, or denial of medical treatment. Yet, all of the above were frequently mentioned conditions of employment described by sales agents we interviewed. One young woman who recruited for a sales organization said that after a

while she felt sorry for prospective sales agents because she knew she was deliberately misleading them.

The perfunctory recruitment interview generally ends with the sales agent receiving an offer of employment with the condition that he leave later the same day, or on the following day. While several recruitment ads state that parents are welcome at interviews, we did not speak to any agents whose parents accompanied them. Several of the groups furnish a form "letter to parents" (see samples Attachment No. 12), which purports to "fully explain" the terms of the job, but furnishes very few details. A phone number and mailing address (usually belonging to the magazine clearinghouse or chemicals manufacturer) is also supplied, through which the agent's family can maintain contact. Unfortunately, we heard several times that agents failed to receive mail or messages relayed in this manner, or that employees at the company refused to disclose any information about the agent's whereabouts when parents called. Some recruiters who picked up the new agents at their homes told parents that the sales organization would be staying at a particular location for the next few days, only to move to a new locale the same night or the next day. Sometimes parents and recruits are told that the agents need not bring any money with them, as "everything will be taken care of."

Thus, within a few hours, the new sales agent is recruited, hired and whisked away from familiar surroundings, often moving to different cities or states, with little or no money in his possession. His career as a traveling door-to-door sales agent is about to begin.

B. Working Conditions

1. Daily Routine

When a new agent joins a crew, he generally meets the crew manager (if he did not conduct the interview), other crew management, and the rest of the crew, and is assigned to a hotel room with other agents, and to a trainer. In some crews, particular sales agents are designated as "room captains," and are responsible for supervising the other agents while in their rooms.

Trainers are sales agents with the responsibility for teaching new agents how to sell the group's product. Sometimes, these individuals appear to function almost like jail guards. One young man said that he could not go to the hotel soda machine without his trainer accompanying him. Another trainer told a sales agent, "I'm going to be following you wherever you go." A young woman reported that her trainer insisted on being present when she took a shower and when she called her parents. Most sales agents are assigned rooms with their trainers, and may even share a bed. The agent receives instruction on the crew's sales pitch, and is expected to memorize it in a short time. For at

least the first day or two, the agent goes out to sell accompanied by his or her trainer. The trainer shows the agent how to deliver the pitch and how to write up sales. Thereafter, the agent is expected to begin making his or her own sales and meeting a quota.

On a day-to-day basis, the life of a sales agent is a hard one. He must rise early and attend a morning meeting that usually begins at 8:00 a.m. At that meeting, agents often rehearse their sales pitches in a round-robin fashion (where one agent stops in the midst of the pitch, and another agent picks up immediately). Various tactics are used to "fire up" the agents, such as pep talks, spirited singing, or competitive betting on the number of sales that will be made that day. Quotas are reviewed, and agents are assigned to cars. Most leave their hotel keys (often, there is only one key per room) with the managers. The agents go out in their assigned vehicles under the supervision of car handlers or junior managers, and eat breakfast either near the hotel or close to the day's selling location ("territory"). Many times, the territory is an hour or two away from the hotel.

The agents usually are out "on territory" by 10:00 a.m. and sell door-to-door individually or in pairs. The car handlers drop off the agents, telling them when and where they will pick them up. The day is divided into several "drops," each usually an hour to two in duration. Many sales agents told us that their car handlers did not break for lunch, and that they were in residential neighborhoods without restaurants or stores. Some agents became skillful at obtaining food and drinks from their customers. Other car handlers did stop at mini-markets or fast food restaurants with their cars during the day.

The sales agents told us that their daily quitting times ranged from 6:00 p.m. until 9:00 or 10:00 p.m., depending on the manager, the season, or the car's success that day. During the day, the sales agent will have walked great distances, pounded on numerous doors, delivered the same sales pitch over and over again, had doors slammed in his face, and if lucky, made some sales. In the magazine crews, the sales pitch generally revolves around the agent's enthusiastic description of a contest he is in, for which he needs just a few "points" (magazine orders) to win. (See sample, Attachment 13). The cleaning products crews attempt to demonstrate their product to prospective customers.

After final pick-up, the crews return to their hotels, and turn in to the crew manager their sales receipts and the cash and checks received from customers. In turn, they receive a nightly allowance. The crews then eat dinner, usually as a group (because there are few available cars), and usually at fast-food restaurants.

Following dinner, those sales agents who have made less than a certain number of sales that day are expected to attend a sales

meeting at the hotel, where they are "given help" with their sales pitches. These meetings usually start after 10:00 p.m. and may last until quite late at night.

This is the routine for sales agents six days a week. Saturday nights and Sundays are generally "free," unless the group travels, but group activity is encouraged (and often required) at these times. Since transportation is available only in cars owned by the management, agents generally have no choice but to stay together during their time off. There are group meetings on most Sunday nights. Often, Saturday nights and/or Sundays are devoted to travel to new locations. In this case, check-in is usually in the afternoon, and agents spend the remainder of their Sundays unpacking and doing their laundry.

2. Rules

Many of the groups have certain rules applicable to their agents. These usually include no drugs, although we heard that drug use is rampant in many crews and drugs are sometimes supplied by managers and car handlers, and no drinking on the hotel premises, another rule frequently honored in the breach. Most crews do not permit agents to make or receive long-distance telephone calls in their rooms. Others forbid fraternization between crew members, and male agents may not come to female agents' rooms at night. Some groups perform bed checks. Crew members often are told not to discuss business with outsiders and not to disclose the location of their hotels. Agents are expected to work in all kinds of weather and on holidays, and days off except for major illnesses are frowned upon.

3. Permits

Many localities, including states, counties and cities, require transient solicitors to obtain sales permits before they can engage in door-to-door sales. It appears that many groups are quite casual in their efforts to meet these requirements. Some crews will do so if the requirements are easily met and the fees are low. Others will just take their chances. A significant number of sales agents told us that they and other crew members were arrested or stopped by the police for soliciting without permits. While we heard of a few instances where agents were abandoned in jail, generally, the crew managers bail the agents out promptly, and pay the fines. (These fines may be assessed against the accounts of the car handlers.) However, the crews often leave town before designated court dates, leaving outstanding warrants. One young woman was strip-searched before being bailed out. Several agents reported that they were told by crew management to avoid the police, to give the police minimal information if stopped or arrested, or to claim that they were not "selling," but were merely collecting orders that someone else would fill at a later time. While some agents appeared to take their police encounters in stride, others

told us that being arrested or obtaining a police record was among the worst things that happened to them in the crews.

4. Payment of Sales Agents

The most frequent complaint we heard from sales agents was that they received very little money while they were on the crews, were often in debt, and received no money when they terminated. In all of the groups we examined, the crew manager had complete control of the agents' accounts. All of the agents' earnings -- from commissions and bonuses -- purportedly went into these accounts. The crew manager would also debit these accounts by amounts reflecting the agents' hotel expenses, nightly draws, other advances, cancelled order commissions, supply costs, bus tickets home, and in some cases, fines for infractions of group rules. Many agents reported that they never saw their accounts. Others saw them occasionally, and even signed them, but did not understand the accounting. With few exceptions, agents did not receive their own copies of their weekly or monthly earning records. This method of recordkeeping appears to be an effort to keep sales agents in the dark about their earnings; it also provides the opportunity for crew managers to manipulate the agents' accounts. One former sales agent told us that at a nightly meeting he asked the crew manager, in front of the entire group, "is there any way we could have control of our own money in this organization?" Thereupon, the manager took the agent outside and told him that if he was not comfortable with the organization, he should "pack his bags."

The only money the sales agent regularly sees is his nightly draw -- usually $8 to $15 per night (although some agents reported receiving no draw or $5.00 or less on days they had no sales). There are no paychecks. The draw must be used to cover all of the agents' meals (usually, by economic necessity, in fast-food restaurants), laundry expenses, entertainment, and personal items (such as toothpaste, shampoo, deodorant, and cigarettes). Many agents told us that these doles were scarcely enough to live on. As a result, many lost weight, and others resorted to acts such as pocketing cash from customers' orders and ripping up the receipts. Crew managers told us that if agents had positive balances in their accounts, they could ask for and receive additional funds. Many agents disputed this, and others said that obtaining extra cash depended on the mood or whim of the manager. In other groups, agents had to have particular balances (enough to cover potential cancelled orders) before they were eligible to receive money beyond their basic draws.

The staff examined pay records for selected months from several groups. The records differed from group to group with one crew almost entirely in debt, to other crews in which a majority of agents had positive balances, but a significant number were in the red. The records in some cases were quite

confusing, especially with respect to debits in the miscellaneous category.

Some agents told us that crew managers would arbitrarily deduct certain amounts representing fines for various rule infractions (being late for meetings, prohibited fraternization) when the agent began to show a positive balance in his account. Although most groups told agents that they would not be charged expenses for their first two weeks, some appeared to deduct sums if the agent made sales during that period (and in some cases, even if he didn't); others honored their guarantee. Many agents felt that the whole pay scheme was a "scam" to keep agents in debt, and to use them as "slave labor." There is no question that a significant number of agents end up working long hours for just room and board.

In the magazine crews, sales agents receive as commissions a percentage of the initial payment made by the customer at the door. This percentage generally ranges from 30 to 50 percent. Records supplied by one magazine clearinghouse show that the initial payments for magazines range from $7.00 to $29.00, with most clustering in the middle of that range. Assuming that the average sales person makes four sales a day, collecting $16.00 at the door for each sale, and receiving a 35 percent commission, he would make $22.40 per day in commission for each of the six days he works for a total of $134.40. If he receives a $12.00 nightly draw and pays $8.00 a day for his hotel room (including on Sundays on which he has no earnings) for a total of $140, he ends up owing $5.60. Any extra miscellaneous expenses -- of which there are usually some -- will send him into further debt. Since the agent is treated as an independent contractor, he is responsible for paying his own taxes on his earnings.

In many magazine crews, the managers offer bonuses as incentives for high sales for the day or week, or for most sales over quota. Generally, the better sales people are the bonus recipients, and these are the individuals who are most apt anyway to have more money in their accounts. In some groups, agents are encouraged to bet with each other who will have higher sales, and this device also offers opportunities for agents to win (or lose) additional funds. Sales agents in some magazine crews are also eligible to win contests. For example, the crews clearing through Circulation Builders of America (CBA) compete on an inter-group basis for trips or their cash equivalents. The contest is based on 12-week periods, and the winners must sell subscriptions to magazines carrying the highest number of points. There is a senior contest with an award of $1200, and a junior contest (for new sales people) with an award of $700. All CBA sales agents can also earn $1000 if they amass 20,000 points (one point for each mail-in dollar CBA receives). While it appears that sales agents have won the contests and the $1000 cash awards, very few, relative to the number of agents there are, have done so, and most agents do not stay with the groups long enough to amass the needed number of points.

Sales agents in cleaning product crews receive a percentage (30 percent is one oft-mentioned figure) of the retail price of the product. Some crew managers in these groups also offer bonuses.

When sales agents terminate, they may sign discontinuance agreements. (see sample, Attachment No. 14). While these documents have a space for the amount remaining in the agent's account, most of the ones staff saw had no dollar figure filled in. Many agents are told that the accounts are not up to date and that they must leave $150 to $200 on account for 90 days to cover potential cancelled orders. While some agents reported obtaining the earnings due them, most of the agents we spoke to never received any money from the crew after they left; some received letters stating they owed money to the sales organization (these letters are apparently routinely ignored). Some agents received tax forms indicating they owed the IRS money. In at least two cases of which we are aware, former sales agents disputed the alleged earnings, and the IRS relieved them of the obligations to pay taxes.

5. Reports of Abuse

A disturbing number of agents told staff that they experienced or witnessed incidents of physical abuse while in the crews. The perpetrators of this violence were crew managers, junior managers and car handlers. Several agents reported that agents were "beaten," "slapped," "punched" or "pushed." One agent said that a car handler in his crew would shoot BB's at agents with low sales. On one crew in particular, several agents reported physical abuse of agents by the crew chief and his family members. Some agents never witnessed any violence, but said that they "had heard" that agents had been hit. A rumor floating around in one group was that if you crossed the crew manager, he would hire a "hit man." While the staff was able to corroborate some of the accounts of violence, very often, the alleged beatings would take place in private or the agent could not identify other witnesses.

We also heard on several occasions that female sales agents were sexually propositioned by crew management or their car handlers. One agent told us that her crew chief would have four or five "favored" female agents at one time; these agents were treated well, had no quotas, and were permitted to drive the crew chief's car. We also heard reports that female agents who became pregnant on the job were strongly encouraged to have abortions.

Although staff heard several reports of stranded agents, and some agents said that they were afraid this might happen to them, only one agent told us that he himself had been stranded by his crew. This young man was arrested his first day on the job for soliciting without a permit. He called his manager who promised to come shortly and have him released. The manager never

appeared, and the agent spent nine days in jail, during which time he was molested by other prisoners. In most cases, the crews chiefs provided transportation home for the sales agents who wanted to leave (although the agents themselves were often charged for their return bus tickets if they had money in their accounts).

Several agents said they were compelled to work even if they were feeling ill. One agent told her car handler that she felt sick and requested a visit to the hospital for treatment; the car handler told her to keep working and she could go to the hospital on Sunday. Another agent, whose feet were bleeding from tight sandal straps, asked to rest in the car, but was admonished to "go barefoot" and keep selling. An agent who was not permitted to stay back at the hotel when he reported feeling nauseous, vomited on a customer's porch. Since the groups offer the agents no health insurance, and most agents do not have sufficient funds to pay doctors, many forego medical treatment. Some told us that their crew chiefs had advanced funds for treatment, and deducted them from their accounts. Two young women told us they were hospitalized and thought that their managers would pay the bills, but their managers subsequently refused to do so. One woman who was required to work on crutches will testify today.

By far the most common type of abuse reported was verbal abuse. Many agents told us that crew management frequently yelled at agents individually or in groups, using obscenities or derisive comments.

6. Psychological Factors

Over and over again, former agents in the door-to-door sales groups described themselves and others in the crews as having been "brainwashed" or "programmed" by crew management. They attributed this state of mind to a combination of factors operating in the crews.

Several agents told us that their crews hired agents with pliable, dependent personalities or vulnerable people who were attempting to escape problems at home. Some agents reported that they themselves were naive or had abusive or alcoholic parents, former trouble with the law, or break-ups with their boyfriends or girlfriends just before joining the crews. All were available to leave town on a moment's notice.

For some agents, the crew job is their first experience away from home, and they are told if they want to call or return to their parents, that they are acting like "babies," or that they will feel ashamed if they return home without any money. Some crew chiefs told new agents, "we are your family now." As one agent explained, her crew chief was like a parent, exercising discipline when crew members were bad, but also making agents feel loved if they were good.

The rapidity with which the agents must accept their new jobs and leave their homes makes it difficult for them to carefully consider what they are getting themselves into or to seek advice from parents and friends. Often, they are operating on the most minimal information gleaned during short interviews. Within hours, agents find themselves in unfamiliar surroundings, often far from home, where they know no one. Thus, they are socially dependent on the crews from the outset. The feeling of isolation from friends and family is reinforced, because they can only be contacted through a number or an address in a distant location. Many agents reported not receiving messages or mail, and later learning that their parents or friends had tried to reach them. In some crews, agents cannot make or receive calls in their rooms. Some agents felt they were always being watched, and hesitated to make phone calls even from public phones. Some were told not to disclose their locations to outsiders, and most had no idea of the next intended destinations.

The crew environment is very structured and controlled. The new agent is assigned to a trainer, expected to memorize a sales pitch, and is out on the job the next day. For six days a week, agents rise early, attend meetings, pound their territories in unfamiliar neighborhoods for long hours, and attend late-night sales meetings. The repetitive activity, constant movement, lack of sleep and the steady diet of fast food reportedly produces feelings of disorientation, exhaustion and weakness. One young woman said that she would often cry and think she was stuck in the middle of a movie. On Saturday nights and Sundays, if the crew is not traveling, group activity is the rule. Agents also sleep in rooms (and usually in the same bed) with other agents, and eat meals with the other agents. There is practically no chance to "get away from it all," even for brief periods.

The agents are financially dependent on the crew chief. He decides how much the sales agent will receive on a nightly basis to cover the agent's meals and basic personal needs. Receipt of additional funds for new clothes or other items may depend entirely on the manager's largesse. If the sales agent wants to leave the group, he or she may have to convince the crew chief to pay for transportation home. In addition to keeping the agent in line in a very real sense, this financial dependency reportedly deprives agents of their sense of autonomy and control.

The group is constantly focused on the necessity to make sales. They literally eat, sleep and breathe sales. There is intense competition in the groups, and sales agents are encouraged to bet each other that they will achieve higher sales. There are constant pep talks, and in some crews, agents sing and chant about sales. Sales may determine who will get a single bed, or who will get a bed at all if there are five agents in a room, and may dictate the priority of showers. Agents with high sales sit in the front seats of their vehicles, and agents with poor sales must sit in the back or in the wells of station wagons. Sometimes agents with low sales are publicly berated or

humiliated. In one group, the lowest sales agent in the car had to run around the vehicle. High sales agents are called "winners," and low sales agents are called "losers." The latter are told if they can't make sales, then they can't do anything else in life. Of course, sales determine how much money the agent gets, and for some, may make the difference between eating adequately or eating very poorly, and being able to buy some basic necessities. Some agents are so desperate to make sales that they will lie to customers and even pay for part of the orders themselves. The crew chiefs are held up as models for what agents can achieve if they work hard. Several agents told us that their managers wore flashy clothes and jewelry, drove fancy cars, and carried huge amounts of money. Even agents deep in debt were made to believe that "all this could be theirs someday" if they became high-powered sales persons.

A rule common to many crews is that agents are not permitted to express any negative thoughts. They must constantly be cheerful, enthusiastic and positive. Agents are not supposed to complain to other agents about a hard sales day or to discuss arrests. Expressions of loneliness, homesickness or illness are discouraged. Even complaints about the weather are off-limits; rain must be described as "liquid sunshine." This suppression of natural emotions really makes a deep impression on some agents. A couple of them told staff that even when they left the groups, for some time thereafter they would chastise others if they expressed any "negative" ideas.

Then there is the fear. Many agents told us of beatings and intimidating verbal abuse. Some chose to go along, or to do what they were told, to avoid trouble. Others came to feel that they "got what they deserved."

When staff would ask agents why they did not complain to the police or try to leave the groups sooner, many found it hard to explain. Some said, "you just had to be there to understand." Several agents told us that the crews encouraged a mistrust of the authorities as agents were told to avoid the police, and some were arrested for soliciting without permits. Others emphasized one or more of the factors discussed above, or stated that once they left, they just wanted to put the experience behind them.

There is no question that agents are constantly leaving the groups. In fact, the turnover is extremely high. There appears to be a practically inexhaustible supply of new recruits to fill their places. A large number of the agents leave within their two-week training period. Some have estimated that the average agent stays only two to three months. Some agents leave and then return to their crews.

If this were the whole story, there might be less cause for concern. However, during its investigation, the staff heard several accounts of agents who were afraid to confront their managers for permission to leave, and who snuck away from crews

in the middle of the night, or who were "rescued" by friends or family. Some agents told us that they asked to leave, but were told they were in debt to the organization. Some were denied the funds to leave. Still others were persuaded to stay, sometimes several times, by crew chiefs who told them that if they left they would be "losers," letting themselves, their families and management down. One agent told us that she was permitted to leave only after an aborted suicide attempt. Many who did leave told us that they were only able to do so because they had the support of their families or friends.

Staff also learned of several instances where agents left only when police came to their hotels, acting on complaints. For example, in October 1983, police from the East Orange, New Jersey Police Department assisted five sales agents to leave a crew affiliated with Summit Publishers Service, Inc. In August 1984, the White Plains Police Department interviewed members of an Ultra-Kleen crew, run by Horace Robertson, who will testify today, and 10 sales agents left under the protection of the police. The police made arrangements for Mr. Robertson to provide bus fare and expenses for any young adult who wished to leave. According to the police report, the departing individuals told police that the organization was "brainwashing them," working them from early morning until late evening, and not releasing their money to them. Again, in November 1985, this time in Indianapolis, Indiana, police assisted 14 sales agents who wished to leave Horace Robertson's Ultra-Kleen crew; the police here, too, ensured that Mr. Robertson provided money for transportation for the departing agents. On this occasion, Mr. Robertson was arrested for refusing to aid a police officer, although these charges were later dismissed. Staff also heard many other reports of sales persons leaving crews when the police intervened, generally upon the request of a family member.

Obviously, these accounts and police incidents raise serious questions about the psychological factors operating on young adults in the traveling door-to-door sales crews, and leaves open to questions the "voluntary" nature of some agents' employment by the crews.

IV. SOME AGENTS REPORTED FAVORABLE EXPERIENCES

Staff also interviewed sales agents who reported favorable experiences in the traveling crews. Most, but not all, are still working for a crew. They said that they had fun, made many good friends, liked meeting customers, and enjoyed the opportunity to travel to new places. Some stated that they had made money. Others emphasized that they had learned valuable sales skills and formed "positive mental attitudes" that would aid them in future endeavors. Generally, these individuals praised their crew managers, sometimes effusively, and disclaimed that they abused or exploited the agents in the crews. Many of the happy agents came from the same crews where such practices were reported by other agents.

Almost all of the agents who enjoyed their work conceded that life on the crews involved hard work and long hours. Many said, however, that if they met their quotas, they could stop work early, and some told us that they had vacations and time for recreation. Frequent explanations for why others alleged they had had terrible experiences on the crews were that the disgruntled individuals were people with no sales ability, or were people who did not wish to work hard, but instead wanted to take drugs, drink, or fraternize. Some current agents thought that they could earn a lot of money, and might have their own crews someday. They vigorously denied that they were "brainwashed" by their crew managers. While their own crews were good, many said that they had heard that other crews mistreated and stranded their sales agents.

Among the former agents who reported bad experiences, some told the staff that the jobs did have good aspects. They cited warm relationships with other crew members, the opportunity to travel and meet people, and the ability to learn sales skills. They stated that if the agents were able to make money and if the abuses in the crews were eliminated, that the life of a door-to-door sales agent did have attractive features.

V. VIEWS OF CREW AND COMPANY MANAGEMENT AND PUBLISHERS

Staff interviewed eight current crew chiefs. They uniformly told us that they, or their representatives, did fairly describe the working conditions in the crews to recruits during interviews. All described the agents as "independent contractors" who were self-employed and working on a commission basis, although some said they felt a personal responsibility toward these young people. While most acknowleged that the job involved hard work, they also felt that it offered opportunities for fun, travel and the chance for agents to earn money if they applied themselves.

The crew managers all said that they did not permit drug use on their crews, but that this was a persistent problem in the age group involved. Many had rules prohibiting fighting, drinking on the hotel premises, fraternization, and long-distance phone calls from the agents' rooms (but no restrictions on calls from pay phones). A few admitted to fines systems, but claimed they assessed only minimal amounts, and some said the agents could win these back as bonuses.

All of the crew leaders control their agents' accounts. They stated that agents with positive balances could have funds upon request, and that all agents, even those with no sales, were given adequate funds to eat properly; many told us of instances when they advanced funds to agents in debt for medical or other emergencies or needs. Most said that agents were given the opportunity to review their accounts on a regular basis. Some described their bonus systems, and pointed out that they took

agents on vacations to resort spots such as Las Vegas and Florida once or twice a year. The crew chiefs generally required agents who leave to keep money on their books for some period to cover cancelled orders, but said that they do send the remaining funds to the departed agents if they can locate them. Some agents are difficult to find as they leave the crews without notice. If the agent is in debt when he leaves, the crew manager absorbs the loss. All of the managers said they provide paid transportation home for agents.

The crew chiefs told staff that they try to obtain sales permits for their crews, but that some locations had ordinances that were too restrictive, and hence, unconstitutional. If their agents were arrested for soliciting without permits, the managers paid their fines and bail charges.

With only a few exceptions, the crew leaders denied that they had ever physically manhandled agents, and said they would not tolerate this practice by junior managers or car handlers. Some said that the agents frequently fight among themselves. Faced with other allegations of mistreatment, all denied it happened in their crews, but some said there were bad individuals in the industry. All in all, however, they felt that door-to-door sales had received a "bum rap." Some believed that the bad publicity stemmed mainly from agents who had done poorly or been fired making false complaints to the media (which, they claimed failed to adequately check the facts), or from parents or others who did not really know what happened in the crews. An oft-cited observation was that if there really were assaults and other severe problems, the agents were free to report these to the police. Most crew managers said that they had nothing to gain from having agents on their crews who were ill-nourished or unhappy, as these conditions would negatively affect morale (and therefore the sales) of the other agents.

The staff also interviewed owners of chemical manufacturing and magazine clearinghouse businesses that have business relationships with the crew managers. They echoed many of the same sentiments as their distributors. They emphasized, however, that the managers are independent contractors, and that they did not have first-hand knowledge of, or control over, working conditions in the crews. The owners did indicate that if allegations of crew mistreatment against any of their distributors was proven, they would terminate their business relationships with these individuals. They complained of other owners in the industry with bad reputations.

Concerned by the vague accountability in the industry, where each level of management disclaims knowledge of abuses or denies responsibility for the acts of the "independent contractors" with whom they deal, the staff also contacted some publishers whose magazines are sold by the door-to-door sales groups. Their representatives denied directly receiving any complaints from agents and said that they had no knowledge or control over what

occurs in the sales crews. They deal only with the clearinghouse level, or employ consultants or brokers to establish and monitor these relationships. With only a few exceptions, none made any efforts to ascertain whether allegations of abuse that came to their attention from other sources (such as the media) had any substance.

VI. LAW ENFORCEMENT'S RESPONSE

A. Federal

There have been no federal cases involving the door-to-door sales organizations under scrutiny here either under the federal labor laws or the federal criminal laws.

The Fair Labor Standards Act, 29 U.S.C., Sec. 201 et seq. establishes minimum wage, overtime pay, and child labor standards. That Act, however, exempts outside sales people (which would include traveling door-to-door sales agents) from its minimum wage and overtime requirements. In addition, since the vast majority of the sales agents in these groups are 18 years of age or over, the child labor standards generally do not apply.

To the extent that the sales organizations perpetrate schemes involving false representations and inducements, the federal mail fraud (18 U.S.C., Sec. 1341), wire fraud (18 U.S.C., Sec. 1343) and interstate transportation or travel (18 U.S.C., Sec. 2314) statutes are potentially applicable. However, the frauds alleged in the industry generally are not carried out by use of the mails or wire facilities; interstate travel is a key element in the alleged frauds, but that statute would not apply unless a single victim of the organization's misrepresentation was defrauded of money or property having a value of $5,000 or more, a situation that rarely arises.

The United States Department of Justice has taken the position in the past that it does not view the problems cited in the traveling door-to-door sales crews as widespread or national in scope, and that present federal statutory provisions are adequate. Department representatives told staff that last Fall, the Department sent out questionnaires to the Executive Working Group, composed of federal, state and local law enforcement officials, asking for any complaints they had received in the last five years about door-to-door sales groups, and for their opinions whether such complaints should be handled on the federal or local levels. Of the 13 responses received, only one respondent cited a complaint, and most of the others expressed the opinion that cases involving alleged mistreatment of sales agents should be handled on the local level (especially assault cases). This response, however, differs from that the staff received when it contacted local law enforcement offices. The Attorney General of New York will testify today about his views of the problem.

A number of federal statutes outlaw involuntary servitude and slavery. The peonage statute (18 U.S.C., Sec. 1581) prohibits holding anyone to compulsory labor because of a debt. The enticement into slavery statute (18 U.S.C., Sec. 1583) is violated when a person kidnaps or carries away a victim or induces a victim to go to another place with intent that the victim be held as a slave. The involuntary servitude statute (18 U.S.C., Sec. 1584) requires that a person knowingly and willfully hold the victim in compulsory labor for a term. Each of these statutes requires that the victim be held against his will.

The FBI has investigated a number of allegations that sales agents have been subject to involuntary servitude and slavery, but to date, the Department of Justice has not authorized any prosecutions. The FBI found that those sales agents who wanted to leave had times during the day when they were on their own, and could depart or contact others for assistance. This physical ability to leave, even when complicated by factors such as lack of funds to travel or intimidation, has caused the Department of Justice not to seek indictments. Many of the alleged victims, however, did relate to the FBI the same types of fraudulent and abusive practices that the staff heard about in our investigation. Thus, the Department of Justice does have in its possession a number of very troubling complaints about practices in the industry.

Under Section 5 of the Federal Trade Commission Act, 15 U.S.C., Sec. 45, the Commission is "empowered and directed to prevent persons, partnerships or corporations.... from using.... unfair or deceptive acts or practices in or affecting commerce." In the 1960's and 1970's, the Commission pursued a number of actions involving the activities of door-to-door sales groups, finding many of the same fraudulent and abusive practices described herein. However, the staff was told that due to the paucity of recent complaints received by the Commission, it has not issued any orders or brought any cases in this area in more than a decade.

B. State and Local

Much of the information concerning the activities of traveling door-to-door sales groups is located in the files of state and local law enforcement agencies. Local police and sheriff's departments become involved when contacted by parents trying to locate their children or by customers complaining about aggressive sales techniques, when arrests are made of sales agents for soliciting without required sales permits, and occasionally, when complaints are filed by sales agents against their crew managers.

Compiling this information is a major task. Staff contacted numerous state Attorney General's offices, advertised in the newsletter of the National Association of Bunco Investigators,

Inc., and following lead upon lead, called local law enforcement agencies in places as diverse as Pantego, Texas; Mantua, New Jersey; Indianapolis, Indiana; Allegheny County, Pennsylvania; Kingston, Massachusetts; White Plains, New York; Racine County, Wisconsin; Le Mars, Iowa; and many other locations. Details from numerous investigations have been furnished to the Subcommittee from law enforcement officers and agencies all over the country.

Many law enforcement representatives have had only a single experience with a group, and have no idea that there is a national pattern of problems with the traveling sales crews. They may not know what questions to ask and may not effectively be able to assist sales agents who might require police intervention to extradite themselves from bad situations. Other agencies, however, are acutely aware of the problem, and are active in attempting to collect and disseminate additional information. (See for example the response of the District Attorney for Middlessex County, Massachusetts, Attachment No. 15). Minnesota, for example, has instituted legal actions against several companies, and has established information networks both within the state and with other states, such as Wisconsin, North and South Dakota and Iowa.

Several law enforcement agencies voiced frustration in attempting to learn more about the groups, or to follow up on investigations. They pointed out that the sales organizations are mobile, and may quickly leave the jurisdiction if they suspect trouble. The companies are not based locally, and records cannot be subpoened. Since many of the cases are civil misdemeanors, extradition is not available. Groups may change their names periodically. Sales agents often have no identification or false identification. Many are distrustful of, and reluctant to talk to, the authorities. Even when sales agents do file complaints, often they cannot be located thereafter or they leave the jurisdiction, and do not wish to return to pursue their cases. The lack of a central repository of information about the groups and their management makes it extremely difficult for state and local law enforcement to track down information necessary to build cases. Lack of resources and other priorities, combined with the problems cited above, result in few prosecutions against the traveling door-to-door sales groups. Some jurisdictions are now concentrating their efforts on drafting legislation requiring better identification by the crews and appointment of local agents to accept service of process should legal actions be initiated.

Some state and local agencies have called for more action on the federal level, as well as enhanced federal, state and local cooperation. Although the information is at the local level, the federal law enforcement authorities have the resources and ability to trace and compile the information across state lines. One local official suggested that the only way to effectively penetrate the groups would be for the Justice Department and the FBI to commit substantial undercover resources for a period of

time. Others suggested that a central source of information maintained by a federal agency or computer system would be of enormous aid to local law enforcement. In addition to learning more about the groups from such a source, law enforcement representatives said that this might provide a way to trace runaways or missing persons who are with the crews. Others have urged federal legislation to establish protections for sales agents recruited and retained by the sales organizations and to fill gaps in current fraud statutes to extend their reach to the abuses found in these groups.

VII. Private Efforts

In the course of its investigation, staff also contacted two private organizations that monitor the traveling door-to-door sales groups. One is Parent Watch, a non-profit organization formed in 1982, that compiles allegations of sales agent abuse and unlawful operations of the groups and attempts to channel this information to appropriate law enforcement agencies. Parent Watch also provides a support network for sales agents and their families who experience problems with the groups or who want to learn more about them. T.E.A.R. (Against Teenagers Being Exploited and Ripped Off), is another non-profit organization, started in October 1985, to assist teenagers and young adults who have worked for traveling door-to-door magazine and chemical sales groups.

In the absence of a federal agency equipped and willing to devote resources to the allegations of abuse of sales agents throughout the country, Parent Watch and T.E.A.R. perform a service to local law enforcement, parents and young adults, especially in alerting them to abuses in the industry. Their very existence indicates that there is a gap that needs to be filled. While these organizations are diligent, they do not have the money, the investigative resources, or the authority to effectively tackle or resolve the problems that the staff's investigation indicates are both real and serious.

Several newspapers and television stations have run stories about the sales groups, and offered helpful tips to prospective sales agents regarding what questions they should ask before joining the crews. Some Better Business Bureaus also provide information about the groups.

Recommendations

During its investigation, the Permanent Subcommittee on Investigations staff heard serious allegations of abuse and exploitation of sales agents in traveling door-to-door magazine and cleaning products sales organizations. Although there are undoubtedly legitimate groups, and there are agents who have enjoyed their experiences, the complaints heard by the staff are too numerous and disturbing to ignore. Also alarming is the vacuum of accountability in the industry for treatment of sales

agents. The staff encountered many recommendations for legislative and other changes designed to combat the problems in the industry. For those groups that are operating lawfully and fairly, additional industry oversight should present no problems, and in fact, may be welcome. We believe the following recommendations deserve further scrutiny by the relevant federal agencies and congressional committees:

1. Legislation should be enacted clearly setting forth protections for sales agents recruited and retained by traveling door-to-door organizations that sell magazines and cleaning products. These protections should include full disclosure in writing by the organizations of the material conditions of the jobs, prohibitions against threats and acts of intimidation and physical violence, and mechanisms to ensure that agents are paid properly and understand the basis of their compensation. A federal agency such as the Federal Trade Commission should be empowered to enforce the terms of the legislation. The staff believes that if there were a central body with authority to sanction abuses, and that fact was well-publicized, that more sales agents would be willing to register their complaints about the crews.

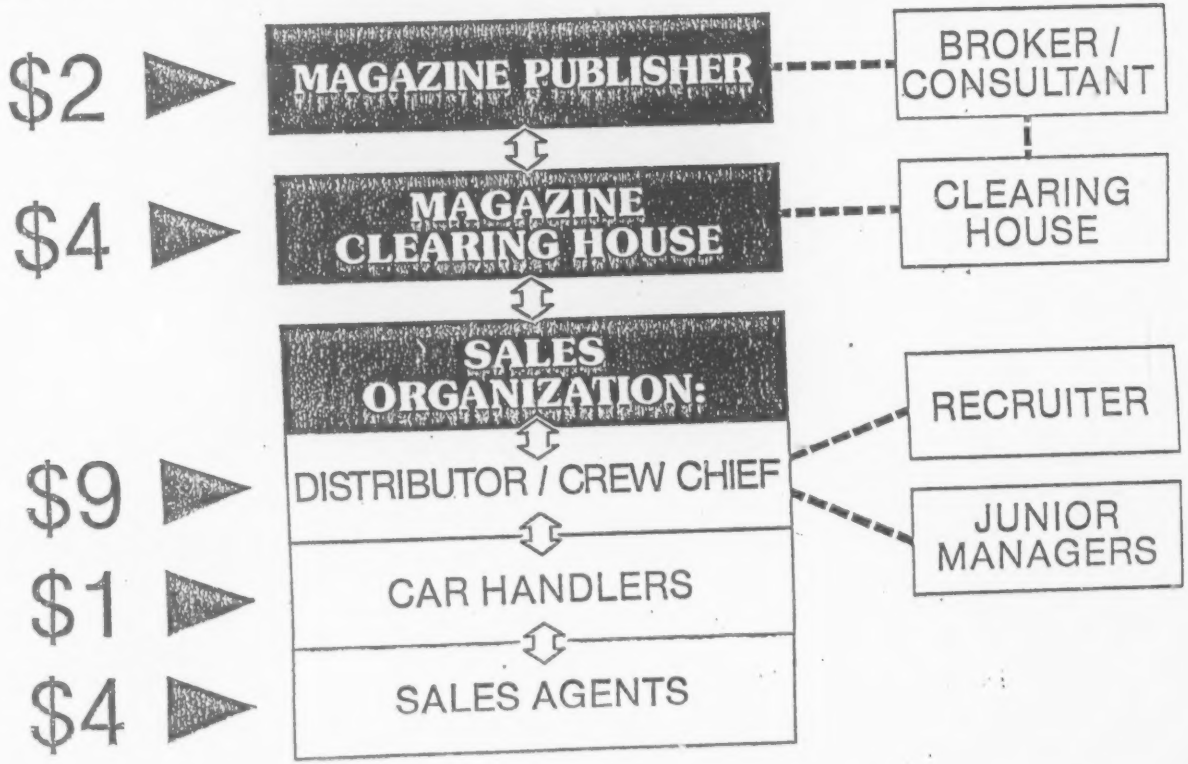
2. The federal interstate transportation fraud statute (18 U.S.C., Sec. 2314) should be amended to cover cases where more than one victim is defrauded of money totaling $5,000 in the aggregate if the fraud on the multiple victims was perpetrated by means of a single scheme.

3. More intense scrutiny should be given to potential enslavement cases to determine if agents who seemingly have the opportunity to leave groups are subject to other forces that actually operate to keep the agents in involuntary employment situations. Cases considered inappropriate for involuntary servitude and slavery prosecutions, but containing other allegations of serious misconduct, should be reviewed as possible violations of other federal statutes or referred to appropriate state and local law enforcement agencies for their evaluations.

4. There should be enhanced federal, state and local law enforcement coordination and cooperation in developing information about the sales groups, investigating allegations of exploitation and abusive, and alerting the public to questionable practices in the industry.

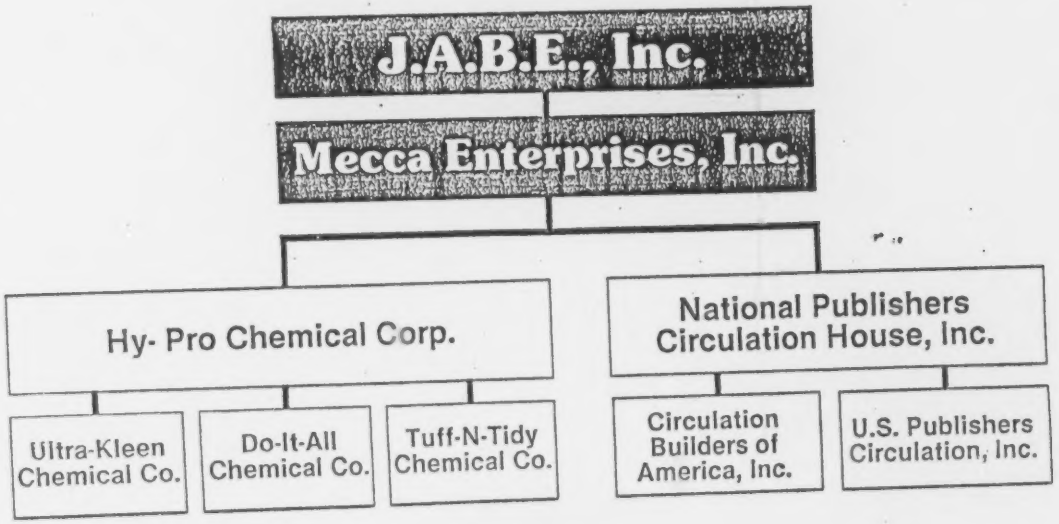
SAMPLE $20 ORDER:

# Structure of Traveling Door-to-door Magazine Subscription Sales Industry



# JOSEPH EDGE COMPANIES

(related to magazine and chemical distribution)




**INACTIVE:**

• Nationwide Publishers, Inc. • World Circulation, Inc. •
• American Publishers Service, Inc. • Home Magazine Sales, Inc. •
• Executive Sales, Inc. •

ATTACHMENT 4

STATE OF TEXAS )
COUNTY OF TARRANT )

DISTRIBUTION AGREEMENT

This Distribution Agreement is made between CIRCULATION BUILDERS OF AMERICA, INC. of Tarrant County, Texas, hereinafter called Company and VINCENT PITTS _____ hereinafter called Distributor.

W I T N E S S E T H :

I.

In consideration of the mutual covenants herein contained and intending to be legally bound thereby, the parties hereby agree as follows:

Distributor is hereby designated as an authorized Distributor of Company's Clearing House Authorized Products, including books, magazines and other products to be made available to Distributor in the territory described as follows: Continental U.S.A.

II.

This agreement shall be binding upon the parties upon the signing of this instrument.

III.

Distributing Company agrees that it will exclusively solicit and/or accept orders for Company's products, from customers and consumers solicited by the Distributor or his independent dealers during the terms of this agreement. Shall Distributor fail to diligently require its independent dealers to diligently sell magazines and/or books and other products and subscriptions of which the Company has authorized, the Company shall have the right to terminate this agreement.

IV.

Distributor agrees to promote actively, vigorously and with diligence, sales of products which the Company authorizes.

V.

The Company agrees to furnish to the Distributor subscription prices to publications, set forth by the individual publisher of each magazine. Such prices furnished shall be considered wholesale prices. Distributors shall be authorized to sell at retail prices prescribed by publisher. Any sales by the Distributor shall be made in accordance with the then prevailing restrictions and regulations of the respective publishers of said magazines. Distributor agrees to send to the Company all such orders together with any payments made to the Distributor.

VI.

Distributor shall not have the right nor the privilege of using the name
Distributor shall have the right only to use the name only of his business entity or any registered trademark he may have established.

VII.

Distributor shall have the right to establish independent dealers under his authorization. Distributor acknowledges that it shall be his responsibility to provide such dealers with necessary sales equipment to assist them in their venture and to assume full responsibility for the actions and behavior of such dealers.

VIII.

Distributor may engage and enroll sales personnel for his own staff. These personnel shall be under the sole control and direction of the Distributor, and shall be in no way the responsibility of the Company. The Distributor agrees to pay all compensation of such personnel or any other individual connected with the Distributor. Distributor shall be solely responsible for the wording of any advertisement to be printed or aired. Distributor shall not name Company in any advertisement, nor make any representation which states or infers any

participation by Company. Company does not guarantee or offer to guarantee any credit for advertisement placement.

IX.

The Distributor agrees that he shall carry public liability insurance in the amounts of One Hundred Thousand Dollars ($100,000.00) per individual occurrence and Three Hundred Thousand Dollars ($300,000.00) in the event of multiple occurrences, workmen's compensation insurance and other types of insurance where appropriate. He further agrees that certificates of insurance shall be filed with the Company.

XX.

Company agrees that it shall attempt to assist the Distributor where ever possible to lessen cost of insurance including an attempt to secure group policies which the Distributor and/or other Distributors may attempt to join.

XXI.

Distributor hereby agrees to indemnify Company against any and all claims of liability allegedly caused by sales personnel, dealer or any other employee of the Distributor.

XXII.

Distributor assumes all financial responsibility for his sales personnel and/or other employees of Distributor.

XXIII.

The parties hereto agree to comply with and be governed by the Company's policy and operating procedures dated June 1, 1979, and as may thereafter be amended from time to time. Distributor acknowledges that he has received, read, and thoroughly understood copy of said Company's policy and operating procedures. In furtherance, Distributor agrees not to use, or permit any unfair, illegal, false, or improper means of obtaining magazine or book subscriptions. Distributor further agrees that it and all of its agents, employees, and sales personnel shall comply with the established ethics of the publishing industry, in general, all Federal state consumer protection laws and rules as well as local and state ordinances and requirements of door to door solicitors with

regard to ethical methods of solicitation and subscriptions.

XXIV.

Distributor agrees that it is not an employee of the Company and not a partner of any joint venture, agent or representative thereof, but it acts solely as an independent contractor, liable individually for all acts performed hereunder and for all expenses incurred in the performance thereof. Further, Distributor agrees that it shall not have the right to enter into any contract or commitment in the name of or on behalf of the Company or bind the Company to any party whatsoever.

XXV.

The Company shall make an accounting of all monies received from the Distributor and/or his agents, dealers, or sales personnel thereon from each calendar month ending the last working day of each month and such accounting shall be accounted to the Distributor by the 15th day of the next following month.

XXVI.

The Distributor further agrees to pay to the Company for sales, tools or like matter available to Distributors by the Company which he desires to purchase. The prices and terms of payment will be part of an addendum to this agreement and will vary from time to time according to economic situations.

XXVII.

This contract shall not be sold, assigned or transferred without the prior written consent of the Company.

XXVII.

Distributor agrees to give the Company immediate notice in writing:

XXVIII.

The term of this contract is one year from date. This term shall be automatically renewed from successive periods of one year from date unless contrary intent is given in writing, by either party, prior to sixty (60) days before the expiration of such term. Such notice shall be sent by registered mail. The Company may terminate this Agreement at any time for reasonable cause such as, but not limited to, the following:

a. Failure of Distributor to pay any and all clearance rates to company.

b. Any activity performed by the Distributor, independent dealers, agents, sales personnel or any other employee in violation to the general practices of the magazine subscription industry.

c. Substantial default of the Distributor in performing his obligations under this contract continuing for a period of thirty (30) days.

XXIX.

Distributors will act independently of the Company in their attempts to solicit subscriptions for the products which the Company is authorized to clear to the publishers. The Distributor agrees that it is in fact no way related to the Company except for the clearing of magazine subscriptions. The Distributor agrees that it has entered into this Agreement freely and openly, their sole purpose being to be able to clear their subscriptions through the Company. The Distributor agrees that it has entered into this Agreement without duress and no control over its organization as exercised by the Company.

DATE June 1, 1979

BY: Nicholas Blake
Secretary-Treasurer

DISTRIBUTOR

BY: Vincent R. Pate

THE STATE OF TEXAS I

COUNTY OF TARRANT I

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Vincent Pitts, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 1st day of June, 19 79.

Martha Burnett
NOTARY PUBLIC, TARRANT COUNTY, TEXAS

THE STATE OF TEXAS I

COUNTY OF TARRANT I

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 19____.

_____
NOTARY PUBLIC, TARRANT COUNTY, TEXAS

H 680 Exhibit 5

ATTACHMENT 5

HY PRO CHEMICAL COMPANY DISTRIBUTION AGREEMENT

THIS DISTRIBUTORSHIP AGREEMENT is made between HY PRO CHEMICAL COMPANY, a Texas corporation, of Arlington, Tarrant County, Texas

AND

The entity identified at the end of this Agreement, hereinafter called "Distributor".

WITNESSETH:

In consideration of mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Distributor is hereby designated an Authorized Distrubutor of Manufacturer's cleaning products, including cleansers, polishes, waxes and accesories in the territory described as follows: such territory being non exclusive:

_____

_____

2. Manufacturer agrees to offer for sale to the distributor its products and related supplies from time to time which are made available by the Company. Its merchandise will be priced at Manufacturer's then current price to the Distributors such prices COD factory at Arlington Texas. The cost of such items being more particularly described as set fourth in Annex "A" attached hereto.

These prices may be changed by the manufacturer at any time and from time to time upon not less than thirty (30) days advance written notice from Manufacturer to Distributor. In addition to these specified prices, Distributor shall pay or otherwise account for any tax which may be levied upon the sale or delivery of use of the merchandise. Delivery by Distributor shall be made COD to the Manufacturer and the Manufacturer upon receipt of the cash on delivery shall then ship to the Distributor at Distributor's location. Title to all merchandise shall remain in the company until purchase price is fully paid. Manufacturer shall not be required to make any shipments or deliveries of merchandise to Distributor prior to receipt of payment.

3. This agreement shall be binding upon the parties hereto until , and shall thereafter expire.

4. Distributor agrees that it will exclusively solicit and/or accept orders for the Manufacturer's product from Distributor's customers during the term of this agreement.

4B. The parties agree that for the reasonable requirements of the distributorship comtemplated by this agreement, the minimum monthly purchases by the distributor, commencing with the month of _____, 19____ should be at least $_____.

5. Distributor agrees to maintain a place of buisness and to promote actively, vigorously and with diligence the sale of Manufacturer's products within the above described territory during the term of this agreement.

6. Manufacturer shall, on a best efforts basis, make prompt delivery of all products ordered and paid for by Distributor. Manufacturer shall not be liable for delays in delivery caused by strikes, differences with workmen, accidents, fires, or unusual delays in transportation, or in procuring material or supplies, or by government regulations, or by any other matters of like or different character beyond reasonable control of manufacturer; nor shall manufacturer under any circumstances be liable for consequential or special damages on account of any delays or failure to manufacturer or deliver unless specifically guaranteed in writing.

7. Distributor shall not have the right to use the names and marks of "Hy Pro Chemical Company". Distributor shall use only the name of his buisness entity or trademark he shall have established.

8. Distributor shall have the right to establish authorized dealers in his territory. Distributor further agrees to provide such dealers with necessary sales and service support and to assume full responsibility for sales and service required of such dealers. Distributor further agrees to assume full responsibility for the actions and behavior of his dealers and to be fully responsible for their compensation.

9. Manufacturer will not conduct buisness directly with Distributor's Dealers Distributor assumes all financial responsibility for his Dealers to Manufacturer.

10. This agreement is subject to termination thirty (30) days following notification by the manufacturer to the Distributor if in the opinion of the Manufacturer, the Distributor is not satisfactorily complying with the terms of this agreement, and/or Manufacturer's policy and operation procedures.

11. The parties hereto agree to comply with and be governed by Manufacturer's policy and operating procedures. Distributor acknowledges that he has received, read and thoughly understands a copy of the same.

12. Manufacturer will hold Distributor harmless from all liability by reason of claims of third persons based upon negligence of the manufacturer in manufacturing its products. Manufacturer, however does not warrant its products beyond that which is expressly stated on the lable or in the excess of those uses for which product is expressly called for. Distributor agrees to indemnify and hold harmless the Manufacturer from any and all claims resulting from customers dissatisfaction with the product because of Distributors overselling the benefits of the product or products. Distributor agrees to be solely liable for such incedents.

13. Manufacturer shall in no manner whatsoever be responsible for the legal validity of sufficiency of any forms of instriments or other documents which if may furnish to Distributor for Distributor's convenience.

14. It is understood that Distributor is acting under this agreement as an independent contractor and not as an employee, agent or partner of Manufacturer. Neither party shall have the right to enter into any contracts of commitments in the name of or on the behalf of the other, or to bind the other to any third party whatsoever.

15. This Distributorship is personal to Distributor and shall not be sold, assigned, or transferred with out the prior written consent of the manufacturer.

16. The Distributor by this agreement acknowdleges that products to be made available to him by the Manufacturer, products which are desired by the public and are useful to the public. Distributor further advises that he shall solely be responsible for the wording of any advertisement to be printed or aired by his efforts. Distributor shall not name Hy Pro Chemical Company in any advertisement nor make any representation which states or infers a participation by Manufacturer. Manufacturer does not guarantee or offer to guarantee any credits against orders for advertisement placement.

17. Distributor agrees that in as much as all sales be made by the Manufacturer to it shall be on a cash basis that an accounting will not be required of the Distributor, however, the manufacturer agrees that should a shipment be lost the Manufacturer would make all efforts possible to trace down the shipment and agrees that all shipments shall be sent via _____, which shipment shall be insured.

18. In consideration of the covenants herein Distributor deposits with the company $10.00 which amount is acknowdleged by the Distributor.

19. The term of this contract is one year from date. This term shall be automatically renewed from successive periods of one year from date unless contrary intent is given in writing by either party, prior to sixty (60) days before the expiration of such term. Such notices shall be sent registered mail.

20. This instrument constitutes the entire Agreement and no person has authority to make or claim any representation, term, promise, condition, or guarantee which is not expressed herein. It is further agreed that no other agreement or understanding hereafter in any way modifying or supplementing this Agreement, nor any promise made by employees of Manufacturer shall be binding on Manufacturer unless confirmed in writing and signed by an executive officer of the Manufacturer.

HY PRO CHEMICAL COMPANY

By: Joe Edge
Date: _____

By: _____
Date: _____

DISTRIBUTOR

_____ 4-30-80
(name)

_____
(address)

_____

Meeca Enterprises Incorporated

March 28, 1977

TO: ALL CONTRACTING DISTRIBUTORS

FROM: JOY A. EDGE, SECRETARY-TREASURER

RE: DISTRIBUTOR OPERATING POLICY STIPULATIONS

Dear Distributors:

The several points which follow were all discussed, analyzed and approved at the last meeting of the Distributors. The purpose of this letter is to re-emphasize same for the benefit of all.

1. Distributor shall inform the office of the correct address of the Sales Organization by Noon on Monday of each week. (The general offices are open from 9:00 A.M. to 5:00 P.M. and the WATS(800-433-2570)use is encouraged both for your reduced expense and to insure that customer lines are not tied up any more than absolutely necessary.
2. Prior to arriving in any new territory or the very first thing up on arriving, determine what the licensing requirements are for each city, town and county and comply with same.
3. A "FIELD INFORMATION REPORT" form needs to be completed for each place where you operate so that all information can be added to the Distributor Directory for publication. It is important that complete details be supplied and copies of any ordinance or licensing application be submitted with the report.
4. Distributor should personally submit registration forms to

the Chamber of Commerce and Better Business Bureau in each place where operating and call those office regularly during the period to see if any difficulty has come about. A call on the last day of doing business is vital to your interest.

5. The name of Mecca Enterprises, Inc., a Texas corporation, shall not be used in any manner whatsoever for registering with any business, agency of government or when seeking credit for services. (This includes making hotel arrangements and any car or trailer rental, as well as newspapers.)

6. The name of Mecca Enterprises, Inc. shall not be offered for use on any stationery, business card or other item.

7. In recruiting sales personnel, Distributor shall be solely responsible for the wording of all advertising. As in all business matters, the requirements of law shall be adhered to regarding the purpose, compensation and terms of enrollment. Distributor shall make no reference to Mecca Enterprise, Inc. as relates to any participation with the Distributor in the arrangements made with the sales person. All advertising shall be paid for by Distributor and no credit involving billing to Mecca Enterprises, Inc. shall be permitted or authorized. It is strongly suggested that ad payment receipts be kept to verify correct payment.

8. A complete application and two MPA Field Selling Information Service cards shall be filled out before any new sales person is issued supplies for the authority to be trained or to sell.

9. Distributor shall have each person who is discontinued complete a "TERMINATION RELEASE". Distributor shall record all terminations on the back of each "DEALER'S DAILY REPORT".

10. Distributor shall see that all publisher listing price and information cards are the current cards. Sales involving incorrect term, price or title shall be debited to the Distributor automatically and Distributor will be immediately notified to discontinue any card or listing with incorrect information.

11. Distributor shall see that all sales are regularly verified at least once each week to insure that no statements or representations are being made which could invalidate a sale. The personal conduct of each member of the Sales Organization shall be regularly observed to insure against embarrassment or complaint.

12. Distributor shall complete the "COMPLAINT RESPONSE FORM" in detail whenever it is attached to any correspondence or cancelled order. Complete details as to follow through are required.

13. Distributor shall require all customer checks to be payable to the Distributor name/number.

14. Distributor shall make proper arrangements for handling any checks negotiated locally so as to insure against any check being unpaid after you leave the territory.

15. All sales and reports shall be mailed to the general office with proper remittance on a daily basis.

16. Should any person leave the Sales Organization without making proper arrangements, Distributor shall complete a "TERMINATION RELEASE" indicating the approximate time and date and the fact that the release was not signed.

17. Make arrangements for having all phone calls and messages picked up so problems can be prevented such as calls to sales people not being passed on or customer calls not returned.

18. In the event of any accident, whether to a sales person on territory or in a car or involving a vehicle doing damage to property, person or another vehicle, make a full report to all the proper agencies. Distributor shall never falsely represent or permit any representation he becomes aware of to go uncorrected which would stipulate or infer any involvement on the part of Mecca Enterprises, Inc., a Texas corporation.

The office staff will always cooperate with you and adhering to these policy and contract stipulations will make your business more successful in the months and years ahead. We appreciate doing business with you.

Cordially,

Joy A. Edge

ATTACHMENT 7

STATE OF TEXAS }
COUNTY OF HARRIS }

DISTRIBUTION AGREEMENT

This Distribution Agreement is made between SUMMIT PUBLISHERS SERVICE CO. of Harris County, Texas hereinafter called Company and T. Boroughbreds and T. M. Hall hereinafter called Distributor.

W I T N E S S E T H :

I.

In consideration of the mutual covenants herein contained and intending to be legally bound thereby, the parties hereby agree as follows:

Distributor is hereby designated as an authorized Distributor of Company's Clearing House Authorized Products, including books, magazines and other products to be made available to Distributor in the territory described as follows: Continental U.S.A.

II.

This agreement shall be binding upon the parties upon the signing of this instrument.

III.

Distributing Company agrees that it will exclusively solicit and/or accept orders for Company's products, from customers and consumers solicited by the Distributor or his independent dealers during the terms of this agreement. Shall Distributor fail to diligently require its independent dealers

to diligently sell magazines and/or books and other products and subscriptions of which the Comapny has authorized, the Company shall have the right to terminate this agreement.

IV.

Distributor agrees to promote actively, vigorously and with diligence, sales of products which the Company authorizes.

V.

The company agrees to furnish to the Distributor subscription prices to publications, set forth by the individual publisher of each magazine. Such prices furnished shall be considered wholesale prices. Distributors shall be authorized to sell at retail prices prescribed by publisher. Any sales by the Distributor shall be made in accordance with the then prevailing restrictions and regulations of the respective publishers of said magazines. Distributor agrees to send to the Company all such orders together with any payments made to the distributor.

VI.

Distributor shall not have the right nor the privilege of using the name
Distributor shall have the right only to use the name only of his business entity or any registered trademark he may have established.

VII.

Distributor shall have the right to establish independent dealers under his authorization. Distributor acknowledges that it shall be his responsibility to provide such dealers with necessary sales equipment to assist them in their venture and to assume full responsibility for the actions and behavior of such dealers.

VIII.

Distributor may engage and enroll sales personnel for his own staff. These personnel shall be under the sole control and direction of the Distributor, and shall be in no way the responsibility of the Company. The Distributor agrees to pay all compensation of such personnel or any other individual connected with the Distributor. Distributor shall be solely responsible for the wording of any advertisement to be printed or aired. Distributor shall not name Company in any advertisement, nor make any representation which states or infers any participation by Company. Company does not guarantee or offer to guarantee any credit for advertisement placement.

IX.

The Distributor agrees that he shall carry public liability insurance in the amounts of One Hundred Thousand Dollars ($100,000.00) per individual occurence and Three Hundred Thousand Dollars ($300,000.00). He further agrees that certificates of insurance shall be filed with the Company.

X

COMPANY AGREES THAT IT SHALL ATTEMPT TO ASSIST THE DISTRIBUTOR WHERE EVER POSSIBLE TO LESSEN COST OF INSURANCE INCLUDING AN ATTEMPT TO SECURE GROUP POLICIES WHICH THE DISTRIBUTORS MAY ATTEMPT TO JOIN.

XI

DISTRIBUTOR HEREBY AGREES TO INDEMNIFT COMPANY AGAINST ANY AND ALL CLAIMS OF LIABILITY ALLEGEDLY CAUSED BY ANY NEGLIGENCE OF PERSONNEL, DEALER OR ANY OTHER EMPLOYEE OF THE DISTRIBUTOR.

XII

DISTRIBUTOR ASSUMES ALL FINANCIAL RESPONSIBILITY FOR HIS SALES PERSONNEL AND OR OTHER EMPLOYEES OF DISTRIBUTOR.

XIII

THE PARTIES HERETO AGREE TO COMPLY WITH AND BE GOVERNED BY THE COMPANY POLICY AND OPERATING PROCEDURES DATED 3-5-85, AND AS MAY THEREAFTER BE AMENDED FROM TIME TO TIME. DISTRIBUTOR ACKNOWLEDGES THAT HE HAS RECEIVED, READ, AND THOROUGHLY UNDERSTOOD COPY OF SAID COMPANY'S POLICY AND OPERATING PROCEDURES. IN FURTHERANCE, DISTRIBUTOR AGREES NOT TO USE, OR PERMIT ANY UNFAIR, ILLEGAL, FALSE, OR IMPROPER MEANS OF OBTAINING MAGAZINE OR BOOK SUBSCRIPTIONS. DISTRIBUTOR FURTHER AGREES THAT IT AND ALL OF ITS AGENTS, EMPLOYEES, AND SALES PERSONNEL SHALL COMPLY WITH THE ESTABLISHED ETHICS OF THE PUBLISHING INDUSTRY, IN GENERAL ALL FEDERAL STATE CONSUMER PROTECTION LAWS AND RULES AS WELL AS LOCAL AND STATE ORDINANCES AND REQUIREMENTS OF DOOR TO DOOR SOLICITORS WITH

regard to ethical methods of solicitation and subscriptions.

XIV.-

Distributor agrees that it is not an employee of the Company and not a partner of any joint venture, agent or representative thereof, but it acts solely as an independent contractor, liable individually for all acts performed hereunder and for all expenses incurred in the performance thereof. Further, Distributor agrees that it shall not have the right to enter into any contract or commitment in the name of or on behalf of the Company or bind the Company to any party whatsoever.

XV.

The Company shall make an accounting of all monies received from the Distributor and/or his agents, dealers, or sales personnel thereon from each calendar month ending the last working day of each month and such accounting shall be accounted to the Distributor by the 15th day of the next following month.

XVI.

The Distributor further agrees to pay to the Company for sales, tools or like matter available to Distributors by the Company which he desires to purchase. The prices and terms of payment will be part of an addendum to this agreement and will vary from time to time according to economic situations.

XVII.

This contract shall not be sold, assigned or transferred without the prior written consent of the Company.

XVIII.

Distributor agrees to give the Company immediate notice in writing:

XIX.

The term of this contract is one year from date. This term shall be automatically renewed from successive periods of one year from date unless contrary intent is given in writing, by either party, prior to sixty (60) days before the expiration of such term. Such notice shall be sent by registered mail. The Company may terminate this Agreement an any time for reasonable cause such as, but not limited to, the following:

a. Failure of Distributor to pay any and all clearance rates to company.
b. Any activity performed by the Distributor, independent dealers, agents, sales personnel or any other employee in violation to the general practices of the magazine subscription industry.
c. Substantial default of the Distributor in performing his obligations under this contract continuing for a period of thirty (30) days.

XX.

Distributors will act independently of the Company in their attempts to solicit subscriptions for the products which the Company is authorized to clear to the publishers. The

XXI.

It is expressly agreed and stipulated by and between the parties hereto that the CONTRACTOR executing this CONTRACT is an INDEPENDENT CONTRACTOR, and said CONTRACTOR shall not be deemed or construed to be an employee of SUMMIT PUBLISHERS'SERVICE COMPANY or any of SUMMIT PUBLISHERS SERVICE COMPANY'S Principals, Partners, or Enterprises within the meaning of the Workmen's Compensation Act of the State of Texas; and in the event the Courts shall decide that, notwithstanding this stiuplation, said CONTRACTOR is such employee, then the undersigned CONTRACTOR elects and hereby gives notice in advance that he reserves all his rights at common law and under the Statutes of Texas other than the Compensation Act, and will not be bound by said Texas Workmen's Compensation Act; this stiuplation and agreement shall be binding upon the heirs, executors, administrators and assigns of the parties hereto.

XXII.

Distributor agrees that it is in fact no way related to the Company except for the clearing of magazine subscriptions. The Distributor agrees that it has entered into this agreement freely and openly, their sole purpose being to be able to clear their subscriptions through the Company. The Distributor agrees that it has entered into this agreement without duress and no control over its organization as exercised by the company.

DATE: 3-5-85

BY: R R Cunningham

DISTRIBUTOR Shriners Black Rules

BY: Tom Hall Treasurer

ATTACHMENT 8

STATE OF TEXAS )(
)( FRANCHISE AGREEMENT
COUNTY OF HARRIS )(

THIS FRANCHISE AGREEMENT is entered into on the 1 day of July, 1986 between 4805, INC., d/b/a Summit Publishers Service Co., a Texas Corporation, with offices at 20301 Rhodes Road, Spring, Texas 77388, hereinafter called Franchisor and Summit Publishers Service Company of Spring, Texas, hereinafter called Franchisee, and Jonathan Lash d/b/a Aristocrat of _____, hereinafter called Principal.

WHEREAS, Franchisor is engaged in the business of arranging through authorized dealers for the sale of subscription contracts for certain magazines, books and other products (hereinafter "Magazines"), obtaining authority from the publishers of various magazines for producing subscriptions to such magazines, forwarding such subscriptions for entry to the publishers, and collecting all sums resulting from such sales; and

WHEREAS, Franchisee proposes to establish a sales organization for the purpose of obtaining subscription contracts for magazines and/or books and other products and subscriptions for which Franchisor has authorized;

WHEREAS, Principal is the sole shareholder and executive officer (or owner) of dealer;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, Franchisor and Franchisee hereby agree as follows:

I.

Franchisor hereby grants to Franchisee the non-exclusive right to sell to the public, and forward to Franchisor to clear orders, subscription contracts for all magazines for which Franchisor has agreements with publishers, in the Continental United States, and any additional territory that may hereafter be mutually agreed upon in writing by the parties, for the period

beginning on the date hereof and continuing until the Agreement shall terminate as hereinafter provided.

II.

Franchisor hereby licenses Franchisee to use the words "Authorized Franchise Dealer for Summit Publishers Service Co." in connection with its operations for the duration of the Agreement, preceded or followed by its corporate name and address. Neither Franchisee nor Principal nor its agents, independent contractors, or distributors thereunder will use the name 4805, Inc. or Summit Publishers Service Co. as part of its corporate or other trade name, nor directly or indirectly represent that they have any connection or affiliation with Franchisor other than the relationship created by this Agreement.

It is the intention of the Parties, in view of the reliance by Franchisor in entering into this Agreement on Principal's individual capacities as a businessman, that Principal alone shall manage and be responsible for the operation of this Franchise, and that Principal shall not encumber his individual right of action in the management of this Franchise by agreements or understandings with third parties.

III.

Franchisee shall promptly create and maintain an efficient sales organization and expand the same as rapidly as practicable consistent with sound business judgment. Further, Franchisee shall promptly create facilities sufficient to obtain the sale of subscription contracts in accordance with the terms hereunder. Franchisee hereby covenants that it will forward to Franchisor all sales of subscription contracts or orders to magazines for which Franchisor has agreements with Publishers. Additionally Franchisee hereby convenants that he will not sell subscription contracts for magazines on any basis except pursuant to the terms hereof. Franchisee hereby covenants to sell subscription contracts for magazines exclusively for Franchisor and no other entity.

IV.

Franchisor and Principal hereby covenant to use their best efforts to obtain subscription contracts for those magazines, books and other products listed by Franchisor. Such subscription contracts shall be sold at the regular retail prices as stated by the Publishers and under subscription contracts, terms, and conditions as shall be authorized from time to time by Franchisor. All subscription contract sales by Franchisee, its representatives, and agents shall be made honestly. All solicitations shall be made in compliance with Franchisor's terms and conditions and all applicable requirements, rules, and regulations of the United States Post Office Department, and Audit Bureau of Circulation, the Federal Trade Commission, and any and all other requirements, rules, and regulations of any and all Federal, State and local governmental authorities having jurisdiction over the location in which Franchisee solicits. Franchisee hereby agrees to take any precautions as may be necessary to prevent any violation of these terms, policies, conditions, requirements, rules and regulations as well as any false or fraudulent canvasses or solicitations. Franchisor reserves the right immediately to cancel any and all subscription contracts sold by Franchisee in violation of the foregoing, in which event Franchisee shall refund to Franchisor any and all commissions paid thereon. Franchisee shall indemnify Franchisor and its officers, directors, and stockholders for any damages, expenses, claims, fines, penalties, or losses of any kind in any way arising out of Franchisee's violations of or failure to comply with any such regulations, rules, laws, statutes or ordinances, of any and all such Federal, State and local governmental entities having jurisdiction over the territories in which Franchisee is authorized to operate.

V.

All subscriber receipts, installment subscription contract forms, promotional material and any other forms or documents used by Franchisee, or its solicitors, personnel, distributors, or other agents or representatives acting in any way in the promotion, solicitation, sales, verification, or servicing of subscription contracts sold by Franchisee, shall be subject to approval by Franchisor. Copies thereof shall be submitted to Franchisor before any of such forms, documents or materials are manufactured, printed or otherwise reproduced in quantities for use by Franchisee. Upon request Franchisor shall supply at charge, Franchisee with subscriber receipts and other forms and/or documents for use in obtaining subscription contracts. In this regard Franchisee shall be responsible for the cost of all supplies used in furtherance of this franchise, including those supplies and forms purchased from Franchisor.

VI.

Franchisee shall forward to Franchisor every other day a list of all subscription contracts obtained during the preceding week by its organization, the list to be accompanied by the originals of the subscription contract signed by the subscribers. On all subscription contracts submitted and accepted, Franchisor shall pay a commission of _____ percent of the subscription contract price. By the 10th day of the month following receipt of all subscription contracts, Franchisor will send to Franchisee a check for _____ percent of the subscription contract price of all subscription contracts submitted by Franchisee during the previous month and accepted by Franchisor minus any down payments retained by Franchisee and less any charge backs made by Franchisor.

All subscription contracts sold by Franchisee shall be subject to acceptance or rejection by the Publishers and Franchisor, and shall be subject to immediate cancellation in the event of the failure of the subscriber to make any required payments called for by the subscription contract.

VII.

Franchisee may, at its expense, and upon ten (10) days prior written notice to Franchisor, inspect all Franchisor's records relating to collection and sales pertaining to his franchise.

VIII.

In order that Franchisor may properly evaluate the financial condition of Franchisee, Franchisee shall, at its own cost and expense, provide Franchisor with financial statements in form satisfactory to Franchisor within twenty (20) days from request by Franchisor. Additionally once each year, within sixty (60) days after the close of the Franchisee's fiscal year, Franchisee shall, at its own cost and expense, provide Franchisor with financial statements consisting of balance sheet as of the close of Franchisee's fiscal year, and profit, loss and surplus statements for the twelve (12) month period then ended prepared by duly certified public accountants.

IX.

Franchisee shall have, subject to Franchisor's approval, and in accordance with Franchisor's Rules and Regulations, the right to establish independent dealers under Franchisee's authorization for the purpose of obtaining subscription contracts for the magazines, books and other products for which Franchisor has agreements with Publishers. Franchisee hereby acknowledges that it shall be Franchisee's sole responsibility to provide such dealers with the necessary sales equipment to assist them in their venture and to assume full responsibility for any and all actions and behavior undertaken by such dealers.

X.

Franchisee may engage and enroll sales personnel and other independent contractors for his own staff. In this regard Franchisee agrees to pay all compensation of such personnel or any other individual connected with Franchisee, and in no way will this be the responsibility of the Franchisor.

XI.

Neither this Agreement or the relations between the parties hereto constitute a partnership or a joint venture. Franchisee and Principal are not employees of Franchisor but are independent contractors acting solely as independent contractors and liable individually for all acts performed hereunder and for all expenses incurred in the performance thereof. Additionally, all personnel, independent contractors, agents, and distributors, of Franchisee and Principal are not employees of Franchisor. Franchisee and Principal shall have the sole right and authority to the complete exclusion of Franchisor to enroll, use and discharge such personnel, and to appoint independent contractors, agents, or distributors. It is expressly agreed that Franchisor shall have no right or authority to control the hours, means, manner and methods of the performance and services of Franchisee and Franchisee's personnel, agents, distributors, and independent contracts; to control the tools and instrumentalities used by Franchisee and Franchisee's personnel, agents, distributors, and independent contractors; and with no right in Franchisor to hire or discharge or control in any manner Franchisee's personnel, agents, distributors, or independent contractors or otherwise alter or terminate the contract of any of Franchisee's personnel, agents, distributors, or independent contractors. Franchisee shall pay and be solely responsible for all of its operating costs and expenses including all commissions, bonuses, and other remuneration of its personnel, agents, distributors, and independent contractors, and no part thereof shall be paid or controlled by Franchisor. It is expressly covenanted and agreed by Franchisee and Principal that all acts performed by Franchisee and Principal and its personnel, agents, distributors and independent contractors, whether authorized or not by Franchisee, shall be the sole responsibility of Franchisee and Franchisee and Principal hereby covenant to assume liability and fully indemnify Franchisor for all acts performed hereunder whether authorized or not, by its personnel, agents, distributors, and independent contractors.

XII.

Franchisee hereby covenants that it will not name Franchisor in any advertisement, nor make any representation which states or infers any participation in Franchisee's operation by Franchisor. Franchisee shall be solely responsible for the wording of any advertisement to be printed or aired. Franchisor expressly does not guarantee or offer to guarantee any credit for advertisement placement by Franchisee.

XIII.

All tax and other returns required by city, local, state, or federal laws or regulations with respect to the business of Franchisee, and all payments due thereon, and all licenses, registrations, permits, assumed name records, and the like, and all fees or other payments due in connection therewith, including generally, but not limited to non-employee compensation tax and all other applicable taxes; disability coverage, licensing, registration, and permit fees shall be made, filed and paid for by Franchisee.

Franchisee shall submit to Franchisor from time to time when requested so to do evidence of the filing of all such returns, licenses, registrations, etc. and the payment of all such taxes, fees and other obligations. Sales tax, where required by law, on subscription contracts shall be collected by Franchisee from the subscriber at the time of the sale and remitted in full to Franchisor with the subscription contracts.

XIV.

Franchisee hereby covenants and agrees to carry public liability insurance in the amount of $1,000,000.00 per individual occurrence. Furthermore, Franchisee agrees to file a Certificate of Insurance with Franchisor within ten (10) days of execution of this Agreement. Franchisee further covenants to file with Franchisor Certificates of Renewal of Insurance each and every time said policy is renewed. It is hereby understood and agreed by Franchisee that upon cancellation for any reason of public liability insurance in the amount of $1,000,000,00 per individual occurrence this Franchise Agreement shall immediately terminate

without notice. Upon such termination all of the provision of Paragraph XIX hereunder shall apply.

Franchisor hereby agrees that it shall attempt to assist the Franchisee wherever possible to lessen the cost of insurance including an attempt to secure group policies which the Franchisee may elect to join at its sole option.

Franchisee further covenants to obtain any and all other insurance including Workmens Compensation insurance that may be required by any governmental agency in any jurisdiction in which Franchisee conducts business.

XV.

Franchisee and Principal hereby agrees to fully indemnify Franchisor against any and all claims of Franchisee's personnel, independent contractor, or agents, or any third person dealing with Franchisee, Franchisee's personnel, agents, distributors or independent contractors, either directly or indirectly or any third person alleging a claim against Franchisee or Franchisor as a result of any of the acts of Franchisee, its personnel, agents, distributors, and independent contractor, whether or not caused by their negligence or intentional acts.

XVI.

Franchisee hereby covenants he will assume all financial responsibility for his sales distributors, agents, or independent dealers.

XVII.

The Parties hereby covenant and agree to comply with and be governed by the company policy and operating procedures dated _____, and as may thereafter be amended from time to time. Franchisee acknowledges that he has received, read, and thoroughly understood all of the company's policies and operating procedures in effect at the time of the execution of this Agreement. Further, Franchisee covenants that he will immediately, upon notice, read all amended company operating policies and procedures. In furtherance, Franchisee agrees not to use, or permit any unfair, illegal, false, or improper means of obtaining magazine or book subscriptions. Franchisee further

agrees that it and all of its agents, sales personnel distributors and independent contractors shall comply with the established ethics of the publishing industry, and all applicable requirements, rules, and regulations of the United States Post Office Department, and Audit Bureau of Circulation, the Federal Trade Commission, all Federal and State Consumer Protection Laws, and any and all other rules, regulations and ordinances of any and all Federal, State, and local governmental authorities having jurisdiction over the location in which Franchisee solicits and general requirements of door to door solicitors with regard to ethical methods of solicitation and subscriptions.

XIII.

This Agreement shall become effective on the date hereof and shall continue in effect until terminated as hereinafter provided. This Agreement may be terminated by either party by giving thirty (30) days written notice to the other party in which event termination shall be effected on the thirtieth day immediately following the mailing of such notice. Notice, wherever provided for within this Agreement, shall be sufficient if given in writing and sent by Registered Mail to the parties at their respective address as set forth herein or at such other address as the addressee may specify. Should Franchisee become insolvent or bankrupt or fail to keep or perform any of the terms of this Agreement Franchisor may immediately terminate this Agreement by written notice sent to Franchisee by mail or telegraph.

XIX.

Upon termination of this Agreement or the death of Principal:

1. Franchisor shall purchase from Franchisee all unreported paid in full subscription contracts together with all copies of paid in full subscription contracts in effect on the date when the termination of this Agreement becomes effective. For all acceptable but theretofore unreported subscription contracts, Franchisor shall pay _____ percent of the subscription contract price as commission, deducting therefrom any amounts owing from Franchisee to Franchisor. Upon such termination, the purchase and transfer of unreported subscription contracts shall be automatically effective on the date of termination and this Franchise Agreement shall be the only instrument necessary to effect such purchase and transfers.

2. Upon termination of this Agreement Franchisee and Principal shall have no further right to use the designation "Authorized Franchise Dealer for Summit Publishers Service Company" or any trade name similar thereto or any subscription contract forms, or any other property theretofore supplied to Franchisee by Franchisor or which it has produced or caused to be produced, bearing the name Summit Publishers Service Company.
3. Upon the termination of this Agreement by any means or for any reason, Franchisor, Franchisee and Principal shall cooperate in the execution of any and all instruments necessary to complete the termination of the license herein granted. If Franchisee or Principal is unable, for any reason, or Principal fails, refuses or neglects to execute any such document upon the request of Franchisor to do so, Franchisee and Principal hereby appoint Franchisor as the irrevocable attorney-in-fact of each of them in their names, and on their behalf, with the right to do any and all acts and things necessary to complete the termination of the within license, and to execute and deliver all instruments which, in the opinion of Franchisor, are necessary for accomplishing such purpose.

XX.

This Agreement shall be binding upon Franchisee and Principal, their heirs, personal representatives, next of kin, successors, and assigns, and upon Franchisor, its successors and assigns. All rights and benefits hereunder are predecated upon Principal's becoming and remaining the sole owner and active managing officer and director of Franchisee and no right or interest of Principal or Franchisee set forth herein or arising hereunder shall be subject to voluntary or involuntary alienation, assignment or transfer except as expressly provided herein to Franchisor. The performance and obligations of Principal and Franchisee hereunder shall not be assignable or transferable.

XXI.

Principal hereby individually guarantees performance of all of Franchisee's obligations to Franchisor.

XXII.

This Agreement comprises the entire Agreement between the Parties and supersedes, cancels, and annuls any and all prior agreements, arrangements or understandings between the parties hereto. This Agreement may be modified in writing and shall not be modified orally.

XXIII.

Any questions or matters arising under this Agreement, as to validity, construction, performance or otherwise shall be determined in accordance with the laws of the State of Texas.

XXIV.

FRANCHISOR, FRANCHISEE AND PRINCIPAL HEREBY COVENANT THAT THIS DOCUMENT AND THE TERMS CONTAINED HEREIN SHALL REMAIN CONFIDENTIAL AND SHALL NOT BE DISCLOSED TO ANY THIRD PARTY.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the 7 day of July, 1986.

4805, INC. d/b/a SUMMIT PUBLISHERS SERVICE COMPANY, FRANCHISOR

By: Assistant Secretary

FRANCHISEE

By: _____

PRINCIPAL

By: _____

INDIVIDUALLY

ATTACHMENT 9

SUMMIT PUBLISHERS SERVICE COMPANY
20301 RHODES ROAD
SPRING, TEXAS 77388
(713) 288-4805

May 21, 1986

To All Franchisees

This Industry has received some advertising in the past 6 months regarding the conduct of a few bad Apples in our Industry. Although we have no knowledge of any of our Franchisee's clearing orders through Summit Publishers Service Co. Inc. having any of these difficulties. We think it is important that weoutline a few of the guidelines we must all follow.

1. In no way will this Company condone any Franchisee having anything to do with drugs. Its your responsibility to set the example for your Independent Agents. Your people look up to you as a Franchisee and unless you have a clear mind you will not be able to perform to the best of your ability. If Summit Publishers has any knowledge of you as a Franchisee having anything to do with drugs your business relationship will be severed at once. Remimber your business will only be as good as you make it.

2. Agents are to be treated in a proper manner. They must be given transportation home if they wish to do so along with enough money to eat on. No physical violence is permitted.

3. All checks must be made payable to your Company name along with your stamp on the back of your checks. Receipt number and name of magazine must be written on the front of the check. In no way is anyone allowed to alter a check in any manner because this is considered forgery. Checks may not be cashed by you out in the field. Reports and all checks for that days business must come in together so we can send the customers check back to them if they wish to cancel. Please read the front of a receipt and you will notice all of the above is clearly printed on them.

If you choose not to follow the above as a Franchisee you will not be associated with Summit Publishers Service Co. Inc. . Summit is a reputable Company and in no way will we allow our good name to be damaged because of the action of a Franchisee.

What applies to you as a Franchisee should also hold true for you with your Agents. Drugs, Forgery, should all be unacceptable behavior from an Agent. I strongly suggest if you have any of these problems you take necessary action to get it under control.

Lenore Chapman
Office Manager

ATTACHMENT 10

GUYS & GALS 310
TRAVEL-$-FUN 66

TNT Chemical Corp., has several immediate openings for sharp guys and gals who are free to travel the entire US with unique young business group. You must be 18 or over, single, well-groomed and free to start today. No exper. nec. 2 weeks on-the-job training program. Transportation furnished, return guaranteed. To apply call LISA ERICKSON at 373-[illegible] 11am-4pm MON. & TUES. ONLY.

35 Miscellaneous

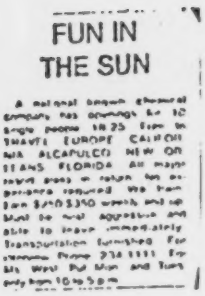
GO TO FLORIDA!
NO EXPERIENCE NECESSARY

Do you like to travel? Our company hires Gals/Guys over 18 who are free to travel the USA with our supervised marketing group. Transportation furnished, casual conditions and guaranteed daily cash advance. Training expenses paid. Return guaranteed. Please call Ms. Apodaca at the Quality Inn, 378-4211, extension 163, 10 AM - 4 PM, Monday-Friday only.

[illegible] Trainee

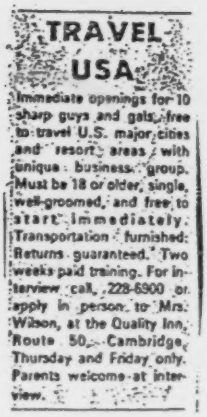
LOOKING FOR EXCITEMENT?

Unique young company now has 6 immediate openings for sharp, enthusiastic people demonstrating our brand new chemical cleaning products, commission base, no investment, no exp. necessary. However, previous waitressing, retail sales or any other public contact work helpful. Applicants must be free to travel to London, New York, Miami & other major cities & resort areas at random itinerary. Return trip guaranteed. For interview, call Sue Wiggins, Wednesday-Friday, at 367-2451 10am-3pm only. Parents wel-



FUN IN THE SUN

A national organ chemical company has openings for 10 single people 18-25 free to travel EUROPE CALIFORNIA ACAPULCO NEW ORLEANS FLORIDA All major travel costs in return for acceptance required We pay $250-$350 weekly and up Must be neat aggressive and able to leave immediately Transportation furnished For interview Phone 278 1111 For this week Fri Mon and Tues only from 10 to 5 pm

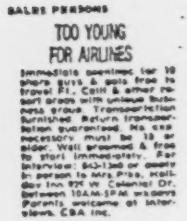


TRAVEL USA

Immediate openings for 10 sharp guys and gals, free to travel U.S. major cities and resort areas with unique business group. Must be 18 or older, single, well-groomed, and free to start immediately. Transportation furnished. Returns guaranteed. Two weeks paid training. For interview call 228-6900 or apply in person to Mrs. Wilson, at the Quality Inn, Route 50, Cambridge, Thursday and Friday only. Parents welcome at interview.

TOO YOUNG FOR AIRLINES?

BUT STILL WANT TO TRAVEL! We have openings for 15 sharp guys and gals that are free to travel L.A. Texas, Florida, and other major U.S. cities and resort areas with a unique business group. Must be 18 or over, single and free to start immediately. No experience necessary, transportation furnished, earnings of $300 per week and up after 2 week paid training. For interview, contact Mr. Bonder at 569-9300 or apply in person at the Hilton Airport, 10am - 5pm, Monday only.



SALES PERSONS

TOO YOUNG FOR AIRLINES

Immediate openings for 10 sharp guys & gals free to travel Ft. Coll & other resort areas with unique business group. Transportation furnished Return transportation guaranteed. No exp necessary must be 18 or older. Well groomed & free to start immediately. For interview: 843-1360 or apply in person to Mrs Price, Holiday Inn 999 W. Colonial Dr. Between 10AM-5PM weekdays Parents welcome at interviews. CBA Inc.

A TRAVEL JOB
100 NEEDED
HIRING NOW !!!

East Coast/West Coast or around the states with unique business group. No experience necessary, as we train toward a high paying rewarding future. Casual conditions make this ideal for the younger set. Call Mr. Krem 432-1800

[illegible] CARE-Needed for

ATTACHMENT 11

THE STATE OF _____

COUNTY OF _____

INDEPENDENT CONTRACTOR AGREEMENT

This agreement is entered into by and between Delray Sales and _____ who is to act as an independent sales representative to solicit subscriptions to magazines listed on the current official price lists of CBA INC.

IMPORTANT: Please answer the following questions carefully:

Date _____ Present Address _____ City _____ State _____ Zip _____

Name _____ (first) (middle) (last)

Home Address _____ (not hotel or general delivery) City _____ State _____ Zip _____

Age _____ Sex _____ Color Eyes _____ Color Hair _____ Height _____ Weight _____ Marital Status _____

Complexion _____ Prominent Features _____ Disability (if any) _____

EDUCATION. Grammar School _____ (yrs) High School _____ (yrs) Trade School _____ (yrs)

Parents of Husband or Wife _____ (if deceased, nearest relative) St. & No. _____

City _____ State _____ Zip _____ Phone _____

Any dependents _____ Relationship _____

Have you ever solicited subscriptions for any subscription agency or Publisher, previous to this date? _____. If yes, give name and address of the Agency or Publisher and enrollment dates:

Name _____ St./# _____ City _____ State _____

From _____ To _____

Name _____ St./# _____ City _____ State _____

From _____ To _____

Character References: (persons who have known you three years or longer)

1. _____ St./# _____ City _____ State _____
2. _____ St./# _____ City _____ State _____
3. _____ St./# _____ City _____ State _____

I UNDERSTAND THAT:

1. If my application is accepted, my authority to solicit subscriptions is limited to magazines and/or books appearing on the official price lists of CBA INC. in accordance with the terms shown thereon, and at the retail prices which are established by the publishers of the individual publications. All subscriptions are to be sold solely on the merits of the publications.

2. The receipt forms and any other supplies issued me must be accounted for and if for any reason my authority to solicit subscriptions as an independent sales representative is terminated, I must return all unused forms.

3. I am to account for the subscriptions and monies secured by me promptly.

4. I understand that my agreement may be terminated by the use on my part of any false, misleading, erroneous, inaccurate, illegal or unethical solicitation of subscriptions or misrepresentations of my status as an independent sales representative in any manner whatsoever. I understand that I may further be terminated by conduct which reflects or

See Back

tends to reflect unfavorably on the distributor, the brokerage corporation, the publisher, or the magazine industry. I agree that any conduct on my part while traveling with this sales organization which falls within the catagories mentioned above will lead to my immediate termination as an independent sales representative and that notice of such termination will be sent to the Magazine Publishers Association Field Selling Information Service.

5. Income to be received by this Independent Sales Representative will be solely from an agreed percentage of sales to be described as sales commission. It will be the full responsibility of the salesman to pay and report his personal income to the IRS as an independent contractor. Salesman is not to receive nor be entitled to any unemployment or workmen's compensation insurance because he is not an employee, but rather he is a self-employed independent sales representative.

It is my desire and intention to carry on the business of soliciting subscriptions on my own account as an independent contractor. Accordingly, I am to be personnaly responsible for my living expenses while workig after agreed training period, and am to receive no compensation as salary.

WITNESS _____ DATE _____ APPLICANT'S INITIALS _____

_____
APPLICANT Print full name

Place
Photograph
Here

I D E N T I F I C A T I O N
I N F O R M A T I O N

SOCIAL SECURITY NO. _____

DRIVER's LICENSE NO. _____

STATE _____ EXPIRES _____

** Written permission from parent or guardian required for person under age 18. Secure same and attach if applicant is not yet 18.

** MPA cards must be filled out completely in duplicate by new enrollee before issuing credentials and before training. Attach the cards to this application.

REMARKS:

_____

_____

DISTRIBUTOR OFFICE USE ONLY:

Code #_____

Date Enrolled _____

Date Terminated_____

INDEPENDENT SALES REPRESENTATIVE AGREEMENT

STATE OF _____ )(
COUNTY OF _____ )(

This Agreement is entered into by and between _____ a _____ (corporation or individual), of _____, herein referred to as "Principal" and _____, an individual, of _____, hereinafter referred to as "Sales Representative".

WHEREAS Principal is an independent authorized franchised dealer of Summit Publishers Service Company, duly engaged in the business of selling subscription contracts for certain magazines, books and other products; and Sales Representative desires to sell for principal those magazines, books, and other products of Summit Publishers Service Company as an independent Sales Representative;

I. PURPOSE. The Principal hereby engages Sales Representative to sell subscription contracts for magazines, books and other products appearing on the official price list of Summit Publishers Service Company.

II. APPLICATION. Sales Representative hereby warrants that the information contained in the application attached hereto as Exhibit "A" and made a part hereof for all purposes is true and correct.

III. DUTIES. The Sales Representative hereby covenants to use his best efforts to obtain through door to door sales, subscription contracts for those magazines, books, and other products appearing on the official price list of Summit Publishers Service Company and provided to Sales Representative by Principal. All subscription contracts shall be sold by Sales Representative at the regular retail prices as stated in the official price list of Summit Publishers Service Company.

The Sales Representative hereby warrants that all subscription Sales contracts sold by Sales Representative shall be made honestly. Furthermore, all solicitations by Sales Representative shall be made in compliance with all of Principal's terms and conditions and in compliance with all rules and regulations of the United States Post Office Department and Audit Bureau of Circulation, the Federal Trade Commission, and any and all other requirements, rules, and regulations of any and all federal, state, and local governmental authorities in jurisdictions in which Sales Representative solicits. Sales Representative hereby warrants and agrees to take any precautions as may be necessary to prevent any violation of these terms, policies, conditions, requirements, and rules and regulations as well as any false or fraudulent canvasses or solicitations.

The Sales Representative shall devote such time, energy, and skill as is reasonably required to effectively sell subscriptions to those magazines, books or other products appearing on the official price list of Summit Publishers Service Company. In this regard it is expressly provided and agreed that Principal shall have no right or authority to control the hours, means, manner, method, and independent judgment of the performance and services of the Sales Representative in selling said subscription contracts; provided, however, all solicitations by the Sales Representative shall be made honestly, and in compliance with Principal's rules and regulations and all applicable requirements, rules and regulations of the United States Post Office Department, the Audit Bureau of Circulation, the Federal Trade Commission and any and all other requirements, rules, and regulations of any and all federal, state, and local governmental authorities having jurisdiction over the location in which the Sales Representative solicits.

Sales Representative fully understands and agrees that he is an independent contractor and not an employee of Principal. As an independent contractor, Sales Representative hereby understands and agrees that he is solely responsible for, and hereby covenants to, report and pay to the Internal Revenue Service on all income derived by Sales Representative as commission for Sales of subscription contracts. Furthermore, Sales Representative understands and agrees that he is not entitled to receive any unemployment or workmen's compensation insurance from Principal or any other form of insurance or other benefits usually and generally provided to employees.

IV. COMMISSION. For the services to be performed hereunder by Sales Representative, the Sales Representative shall be entitled to receive commissions at the rate of _____% upon the official price list of Summit Publishers Services Company of the magazines, books, and other products sold by him. Commissions will be paid by Principal on the _____ day of each _____, subject to charge backs for unauthorized or improper subscription contracts obtained by Sales Representative and any and all expenses advanced by Principal to Sales Representative.

V. EXPENSES. The Sales Representative hereby understands and agrees that he is to bear full responsibility for all expenses incurred by Sales Representative directly or indirectly related to the solicitation and sale of subscription contracts. Expenses shall include but is not limited to automobile expenses, food, lodging, and any tools, materials, or forms or documents for use in obtaining subscription contracts. Provided, however, it is expressly understood and agreed that Principal shall be responsible for all living expenses, including food and lodging, incurred by Sales Representative while training with Principal during the specified training program provided by Principal which in no event shall exceed _____ days.

VI. DUTIES OF PRINCIPAL. Principal shall provide Sales Representative receipt forms and other supplies to be used in the solicitation of subscription contracts, at cost. The Sales Representative hereby covenants to account for, and upon termination for any reason, return to Principal all unused receipt forms and other supplies provided by Principal.

The Principal shall provide the Sales Representative with the duly authorized official price list of Summit Publishers Service Company for the purposes of determining the magazines, books, or other products to be offered for sale by the Sales Representative and the retail prices for which they are to be sold.

VII. RESTRICTIONS. The Sales Representative hereby agrees that he will not represent or offer for sale any magazines, books, or other items of a similar nature to Principal or any item directly competitive with Principal during the life of this Agreement.

VIII. TERMINATION. This Agreement shall terminate without cause upon fifteen (15) days prior notice of either party. Additionally, this Agreement may be terminated by Principal immediately upon the breach by Sales Representative of any of the terms contained herein. Upon termination, the Sales Representative hereby agrees to surrender to Principal all catalogues, samples, price lists, receipts, or other materials supplied by Principal to Sales Representative for use in soliciting subscription contracts. Additionally, Sales Representative hereby agrees to immediately return to Principal all other records of any kind pertaining to the solicitation and sale of those magazines, books, or other products provided by Principal.

Upon termination, the Sales Representative will be entitled to a commission on all orders received by the Principal prior to the expiration of the Agreement.

Upon termination, Principal shall provide Sales Representative with a one-way, pre-paid bus ticket to the County of Sales Representative's residence as set forth on the application attached hereto as Exhibit "A" and made a part hereof for all purposes or Sales Representative's place of enrollment (whichever is nearest). It is expressly provided that the cost of providing Sales Representative with said transportation, if accepted by Sales Representative, shall be charged back against any commissions due and owing to Sales Representative.

IX. NO EMPLOYMENT CONTRACT. Nothing contained in this Agreement shall be construed to constitute the Sales Representative as a partner, employee, or agent of Principal, nor shall either party have any authority to bind the other in any respect, it being intended that each shall remain an independent contractor solely responsible for his own actions. Sales Representative shall not be entitled to participate in any plans, arrangements or distributions by Principal or its subsidiary companies pertaining to or in connection with any pension, stock, bonus, profit sharing, health benefits, or other similar benefits generally provided regular employees. Sales Representative shall be free to regulate his time, energy, skill, and independent judgment in performing the services to be provided Principal hereunder; provided, however, all conduct and actions of Sales Representative are in accordance with the general rules and regulations of Principal and in accordance with the rules and regulations of the United States Post Office Department, Audit Bureau of Circulation, the Federal Trade Commission, and any and all other requirements, rules, and regulations of any and all federal, state, and local governmental authorities having jurisdiction over the location in which Sales Representative solicits.

X. MISCELLANEOUS. This Agreement contains the entire understanding of the parties and supersedes all previous verbal and written agreements; there are no other agreements, or representations, or warranties not set forth herein. This Agreement may be modified in writing and shall not be modified orally.

EXECUTED, this the _____ day of _____, 198___.

PRINCIPAL

_____

By: _____

SALES REPRESENTATIVE

_____

EXHIBIT "A"

APPLICATION FOR INDEPENDENT SALES REPRESENTATIVE

IMPORTANT: PLEASE ANSWER THE FOLLOWING QUESTIONS CAREFULLY:

DATE:_____ PRESENT ADDRESS:_____
CITY:_____ STATE:_____ ZIP: _____
NAME: _____
(FIRST) (MIDDLE) (LAST)
HOME ADDRESS: _____
(NOT HOTEL OR GENERAL DELIVERY)
CITY:_____ STATE:_____ ZIP: _____
HOME PHONE # _____ AGE _____ SEX _____
COLOR EYES _____ COLOR HAIR _____ WEIGHT _____
HEIGHT _____ MARITAL STATUS _____ COMPLEXION _____
PROMINENT FEATURES _____
EDUCATION: GRAMMAR SCHOOL _____ HIGH SCHOOL _____
(YRS.) (YRS.)
TRADE SCHOOL OR COLLEGE _____
(YRS.)
PARENTS OR NEAREST RELATIVE: _____
ST. & NO. _____
CITY _____ STATE ____ ZIP _____ PHONE _____
ANY DEPENDENTS _____ RELATIONSHIP _____
HAVE YOU EVER SOLICITED SUBSCRIPTIONS FOR ANY AGENCY OR PUBLISHERS, PREVIOUS TO THIS DATE? _____. IF YES, GIVE NAME AND ADDRESS OF THE AGENCY OR PUBLISHER AND ENROLLMENT DATE: _____
CHARACTER REFERENCES; (PERSONS WHO HAVE KNOWN YOU THREE YEARS OR LONGER)
1. _____
PH.# _____ CITY _____ STATE _____
2. _____
PH.# _____ CITY _____ STATE _____
3. _____
PH.# _____ CITY _____ STATE _____

Place
photograph
here

IDENTIFICATION INFORMATION

DATE OF BIRTH _____
SOCIAL SECURITY NO. _____
DRIVERS LICENSE NO. _____
STATE _____ EXPIRES _____

**WRITTEN PERMISSION FROM PARENT OR GUARDIAN REQUIRED FOR PERSON UNDER AGE 18.
Secure same and attach if applicant is not yet 18.

REMARKS

_____

_____

Office use only:

Code #_____
Date enrolled _____
Date terminated _____

TICOA

INDEPENDENT CONTRACTOR AGREEMENT

STATE OF TEXAS
COUNTY OF BEXAR

This is an Agreement made this _____ day of _____, 19____, between Romeo Parker, of San Antonio, Texas, hereinafter called "Distributor", and _____, of _____, _____, hereinafter called "Contractor". Distributor desires to enter into a business arrangement with Contractor for the purpose of providing mutual economic benefit to both parties hereto.

THEREFORE, the Distributor hereby agrees to engage the services of the Contractor, and in consideration of the mutual promises herein contained, the parties agree as follows:

1. Term. The Agreement shall be effective on _____, 19 ___, and shall continue until _____. terminated. Either party may terminate this Agreement at any time by giving _____ days notice to the other party.

2. Services. Contractor agrees to solicit magazine subscriptions listed on an official masterlist at San Antonio, Texas. The manner, time and means of soliciting these subscriptions are subject to the sole control of the Contractor, Distributor being concerned only with the desired result which is the production of income from Contractor's sale of subscriptions. Solicitation of subscription sales is limited only to magazines appearing on the official master price list.

3. Right to Control. Distributor shall have no right to control the manner, time, means or any other details of Contractor's services. Contractor shall be responsible for any and will personally superintend the performance of all services required by this Agreement.
Contractor is free to schedule his own sales hours and his own suggested method of conducting sales but such sales shall follow the boundaries of the law.

4. Expenses. Contractor shall be responsible for paying all of his expenses incurred while soliciting subscriptions, including but not limited to, transportation, living and any and all other expenses incurred. Distributor shall not be responsible in any manner for such expenses.

5. Compensation. For all services rendered by Contractor under this Agreement, Distributor shall pay Contractor a commission based on percentage of front monies collected of every subscription. Such commission shall be _____ percentage (of front monies).

6. Relationship. The parties to this Agreement intend the relationship created hereby to be an Independent Contractor - Contractee relationship. No agent, employee or servant of Contractor shall be deemed to be the employee, agent or servant of Distributor. None of the benefits provided by Distributor to its employees are to be provided to Contractor or his employees, agents or servants. Distributor may, during the term of this Agreement, engage other Independent Contractors to perform the same services that Contractor performs hereunder.

7. Violations of law. Contractor shall obey and and all laws of any state or nation and shall specifically follow the Kansas Consumer Protection Act of the State of Kansas, a copy of which has been made available to Contractor, and that any intentional violation of the provisions of the Consumer Protection Act will constitute grounds for immediate termination of this Contract.

8. Construction. This Agreement, its validity, and its construction, shall be governed by the laws of the State of Texas.

9. Amendment and Renewal. This Agreement may be amended or renewed upon the mutual consent of the parties hereto. Any amendments, modifications and variations shall be in writing and signed by all parties.

EXECUTED this ___ day of _____, 19___.

INDEPENDENT CONTRACTOR

_____

DISTRIBUTOR

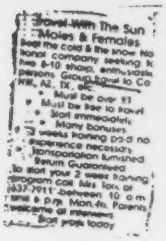
_____

PARENTAL CONSENT

_____

Name/Relationship

ATTACHMENT 12


Travel With The Sun
Males & Females
Beat the cold & the snow No
hires 6-10 sharp, enthusiastic
persons Group travel to Ca
NM, AZ, TX, etc.
• Must be over 17
• Must be free to travel
• Start immediately
• Many bonuses
• 2 weeks training paid no
experience necessary
• Transportation furnished
Return Guaranteed
To start your 2 week training
program call Mrs Tarr at
(637-7911 between 10 a.m.
and 6 p.m. Mon.-Fri. Parents
welcome at interview)
Start work today

EARING BUSINESS THRU:

# Summit Publishers Service Company

20301 Rhodes Road
Spring, Texas 77388
(713) 288-4805

ear Mr. & Mrs.

This letter is to serve the purpose of fully explaining the terms of the traveling job your son or daughter talked to me about today.

Knowing full well that the hiring interview is quite expensive, I feel it is desirable to put forth the facts in the form of a letter so there will be no doubt in your mind as to the type of work, the earnings, and the amount of traveling to be done.

As a salesperson working with me and my organization, he or she will be engaged in making personal interviews at homes, businesses and offices for over sixty popular magazines, including business journals, ladies magazines, outdoor and sport publications, childrens' magazines, musical and athletic periodicals, and general interest publications as well as educational books and bibles.

Your son or daughter will be traveling with a chaperoned group staying at good hotels or motels in major cities. The group usually remains one to two weeks in each city visited, and, of course, they enjoy group rates for accommodations. Also, the type of personnel he will be associated with are from various parts of the country, as well as abroad, and have varied educational backgrounds. They have the same things in common with traveling, of course, being the main factor and an educational one at that.

All traveling expenses are provided along with personal expenses during the training period which is usually two weeks. After the training period your son or daughter should be earning $150.00 or more per week, with all transportation guaranteed.

In addition, he will have the opportunity to compete in Company contests, where many excellent prizes are awarded such as: expense paid trips, bonds, etc. Everyone working in this contest has the added opportunity of earning an achievement award of $1,000.00 based on a bonus system.

Since we travel on a random itinerary, the best way to keep in touch with your son or daughter is to write to them at the above address. Their mail is forwarded to the current address each week. In case of emergency you may call the office at: (713) 288-4805.

We hope this letter will assure you that your son or daughter will be associated with other fine young people and will gain in many ways.

Yours truly,

Rod Tarr
INTERVIEWER

IF ANY QUESTIONS COME TO MIND, PLEASE FEEL FREE TO CONTACT ME AT THE FOLLOWING NUMBER:
637-7911 #613

11

# HY-PRO CHEMICAL CORPORATION

Manufacturers of Chemical Products

Dear Mr and Mrs _____

This letter is to serve the purpose of fully explaining the terms of the travelling job your son or daughter talked to me about today.

Knowing full well that the hiring interview is quite extensive, I feel it is desirable to put forth the facts in the form of a letter so there will be no doubt in your mind as to the type of work, the earnings, and the amount of travelling to be done. As a salesperson/demonstrater working with me and my organisation, he or she will be engaged in making personal interviews at homes, business and offices for HY-PRO SPRAY CLEEN an all purpose industrial cleaner.

Your son or daughter will be travelling with a chaperoned group staying in good hotels or motels in U.S. major cities and resort areas. The group usually remains one to three weeks in each city visited and of course they enjoy group rates for accomodations. The type of personnel he or she will associate with are from various parts of the country as well as abroad, and have varied educational backgrounds. They have many things in common such a travelling, which is very educational as you know; as well as earning potential which is higher than average.

All traveling expences are provided, also personal expences are guarenteed during the training period, which is two weeks. After the training period, your son or daughter should earn $200.00 to $500.00 per week with transportation furnished by the company.

All of our business is cleared through Hy-Pro Chemical Co., and all mail should be addressed to your son or daughters name c/o Sue Wiggins #010 2200 S. Smithbarry Road, Arlington, Texas 76013. Any phone messages can be conveyed immediately if left at the following number 817-275-3261.

We hope this letter will assure you that your son or daughter will be associated with other fine young people and will gain in many ways.

If any other questions come to mind, please feel free to contact me at the following number:

sincerely yours,

_____
Interviewer

# *ARISTOCRATS SALES COMPANY, INC.*

(DIVISION OF TORK & ASSOCIATES, INC.)

20301 Rhodes Road
Spring, Texas 77388
(713) 288-4805

Dear Mr. & Mrs.

This letter if to serve the purpose of fully explaining the terms of the traveling job your son or daughter talked to me about today.

Knowing full well that the hiring interview is quite expensive, I feel it is desirable to put forth the facts in the form of a letter so there will be no doubt in your mind as to the type of work, the earnings, and the amount of traveling to be done.

As a salesperson working with me and my organization, he or she will be engaged in making personal interviews at homes, businesses and offices for over sixty popular magazines, including business journals, ladies magazines, outdoor and sport publications, children's magazines, musical and athletic periodicals, and general interest publications, as well as educational books and bibles.

Your son or daughter will be traveling with a chaperoned group staying at good hotels or motels in major cities. The group usually remains one to two weeks in each city visited, and, of course, they enjoy group rates for accommodations. Also, the type of personnel he or she will be associated with are from various parts of the country, as well as abroad, and have varied educational backgrounds. They have the same things in common; with traveling, of course, being the main factor and an educational one at that.

All traveling expenses are provided, along with personal expenses, during the training period which is usually two weeks. After the training period your son or daughter will be earning $150.00 or more per week guaranteed, with all transportation furnished.

In addition, he or she will have the opportunity to compete in Company contests, where many excellent prizes are awarded, such as: expense paid trips, bonds, etc. Everyone working in this contest has the added opportunity of earning an achievement award of $1,000.00, based on a bonus system.

Since we travel on a random itinerary, the best way to keep in touch with your son or daughter is to write to them at the above address. Their mail is forwarded to the current address each week. In case of emergency, you may call the office at: (713) 288-4805.

We hope this letter will assure you that your son or daughter will be associated with other fine young people and will gain in many ways.

Yours truly,

_____
INTERVIEWER

IF ANY QUESTIONS COME TO MIND, PLEASE FEEL FREE TO CONTACT ME AT THE FOLLOWING NUMBER:

*Cooper Enterprises*

*Dear Mr. and Mrs._____:*

*This letter is to fully explain the terms of the traveling job your son/daughter talked with me about today.*

*Knowing full well the hiring interview is quite extensive, I feel that it is desirable to put forth the facts in the form of a letter so there will be no doubts in your mind as to the type of work, the earnings and the amount of travel to be done. As a salesperson working with me and my sales organization, she/he will be engaged in making personal interviews at homes, businesses and offices for books and periodicals from leading U.S. publishing companies.*

*Your son/daughter will be traveling with a chaperoned group staying in good hotels or motels in major cities. The group usually remains one to three weeks in each city visited and, of course, they enjoy group rates for accomodations. The personnel she/he will be associated with are from various parts of the country as well as abroad and have varied educational backgrounds. They have many things in common, such as traveling, which is very educational; as well as an earning potential which is higher than average.*

*All traveling expenses are provided along with personal expenses during the initial two week training period. After the training period, your daughter/son should earn $200.00 or more per week, with all transportation furnished. In addition, he/she will have the opportunity to compete in company sponsored contests which award many excellent prizes.*

*Everyone working on this travel tour has the added opportunity of earning an achievement award of $2,000.00 in cash payable at intervals according to total points based on sales. He/she must be active and present at the semi-annual awards presentations to receive prizes and bonuses based on points. All orders are cleared through TICOA Corp 11230 West Ave Suite 1105 San Antonio, Tx 78213.*

*We hope this letter will assure you that your daughter/son will be associated with other fine young people and will gain in many ways by working with us.*

*Sincerely yours,*

_____
*Interviewer*

_____
*Local phone number*

*P.S. Any letter or package to your son/daughter, after hiring, should be addressed to her/him c/o Dora Cooper 11230 West Ave Suite 1105 San Antonio, Tx 78213. A phone message may be placed for him/her by calling 512/349-4418. A message will be placed in Ms. Cooper's account with an answering service which will relay the message. We do encourage all agents to either write or call home every month. We cannot force them to comply with this policy, but we do urge them to follow it.*

Peak Publishers Service Co.
Post Office Box 2876
Torrance, CA. 90509

Dear Mr. & Mrs.

This letter is to serve the purpose of fully explaining the terms of the traveling job your son or daughter talked to me about today.

Knowing full well that the hiring interview is quite expensive, I feel it is desirable to put forth the facts in the form of a letter so there will be no doubt in your mind as to the type of work, the earnings, and the amount of traveling to be done.

As a salesperson working with me and my organization, he or she will be engaged in making personal interviews at homes, businesses and offices for over sixty popular magazines, including business journals, ladies magazines, outdoor and sport publications, children's magazines, musical and athletic periodicals and general interest publications as well as educational books.

Your son or daughter will be traveling with a chaperoned group staying at good hotels or motels in major cities. The group usually remains one to two weeks in each city visited, and, of course, they enjoy group rates for accommodations. Also, the type of personnel he will be associated with are from various parts of the country, as well as abroad, and have varied educational backgrounds. They have the same things in common with traveling, of course, being the main factor and an educational one at that.

All traveling expenses are provided along with personal expenses during the training period which is usually two weeks. After the training period your son or daughter should be earning $200.00 or more per week, with all transportation guaranteed.

In addition, he will have the opportunity to compete in Company contests, where many excellent prizes are awarded such as: expense paid trips, bonds, etc. Everyone working in this contest has the added opportunity of earning as achievement award of $1,000.00 based on a bonus system.

Since we travel on a random itinerary, the best way to keep in touch with your son or daughter is to write to them at the above address. Their mail is forwarded to the current address each week. In case of emergency, you may call the office at (213) 540-4884.

We hope this letter will assure you that your son or daughter will be associated with other fine young people and will gain in many ways.

Yours truly,

_____
INTERVIEWER

IF ANY QUESTIONS COME TO MIND, PLEASE FEEL FREE TO CONTACT ME AT THE FOLLOWING NUMBER: _____.

Dear Mr. & Mrs.

This letter is to serve the purpose of fully explaining the terms of the traveling job your son or daughter talked to me about today.

Knowing full well that the hiring interview is quite extensive, I feel it is desirable to put forth the facts in the form of a letter so there will be no doubt in your mind as to the type of work, earnings, and the amount of traveling that will be done.

As an Independent Salesperson with_____ _____, he or she will be engaged in making personal interviews at homes, businesses and offices, taking orders for over sixty popular magazines, including business journals, ladies magazines outdoor and sport publications, childrens magazines, musical and general interest publications as well as educational books and religious books.

Your son or daughter will be traveling with a chaperoned group staying at good hotels or motels in major cities. The group usually remains one to two weeks in each city visited, and of course, they enjoy group rates for accommodations. Also, the type of people he or she will be associated with are from various parts of the country and have varied educational backgrounds. They have the same things in common with traveling, of course, being the main factor and an educational one at that.

All traveling expenses are provided along with personal expenses during the training period which is usually two weeks. After the training period your son or daughter should earn approximately $200.00 or more per week. I also would like to make it clear that after the first 2 weeks their personal expenses will be deducted from their earnings. Furthermore, _____ will guarantee that your son or daughter recieve return transportation should they be released from the job for any reason what so ever.

In addition, he or she will have the opportunity to compete in various contests, where many excellent prizes are awarded such as: expense paid trips, bonds etc. Everyone working in this contest has the added opportunity of earning an achievement award of $1,000.00 based on a bonus system.

Since we travel on a random itinerary, the best way to keep in touch with your son or daughter is to write them a P.O. Box 73448 Dept 364, Houston, Texas 77273. Their mail is forwarded to the current address each week. In case of an emergency you may call 713-288-9270 between the hours of 8:30 to 4:30.

I hope this letter will make it clear as to the type of work your son or daughter will be engaged in. If you have any questions, please feel free to contact me at the following number_____.

Yours truly,

_____ _____

Interviewer Applicant

ATTACHMENT 13

Hi! I just came over to see you for a minute. My name is _____. The reason I came over was to get you to back me in the BIG NATIONAL CASH AWARD AND TRAVEL CONTEST that I am in. You haven't heard about it or backed anyone else yet, have you--(This is a statement, not a question.) Great, then I can be the first one to tell your all about it and get you to back me up.

You don't mind if I step in for a minute to tell you about it, do you. (This is a statement, not a question.)( ) Oh, thank you. (chit chat) "What a lovely home", "what a cute baby" or find something that you like and make a comment on it. My Mom always said to be polite, so can I get you to sit down while I tell you about my contest? (You sit across from the person.) Now, what this is all about is---there are 50 of us girls (guys) in this contest and we each have a chance to win $1,000!!! Isn't that great??? Boy, I think so too---I am not a very good talker, so here, I have this little card that will help me explain the contest to you. (Take your card out and hand the card to the person---You get down on the floor by them and point out on the card what you want them to read.) As I said, it is a BIG CASH AND TRAVEL CONTEST and what I have to do is get these 20,000 points---That's from you and all the folks here in my district and then I win the $1,000. I'm so excited!!! I can barely wait!!! But that is not the best part --The best part is---The first person to get these 20,000 points not only wins the $1,000 but--- (turn the card over) I have a chance to win this trip to either Paris, Acapulco, London or Rome. Which one of these places would you go to if you had the chance??? I want to go to Rome. And I just about have it won!!! (Turn the card back to the front side)--- For out of all these 20,000 points---all I need is _____ points. Isn't that exciting!!! And, Oh---just everyone has been great. You probably know some of my backers--Mrs. _____ she gave me _____ points. Mr._____ he gave me _____ points. Everyone has been backing me up so all I need now to win is _____ points. Now, here is how you can back me, too.--- (take the contest card away from them and give them the magazine list.) All you have to do is look down these two lists and pick out your favorites and take them from me through the mail. These numbers here are how many points I get for each one. Look real hard at the ones in red for I get the most points for those. So which one can I count your point on? Then when you run for something, I will back you, too---

Talk= Contest, Points, Win, Excited, Etc.

ATTACHMENT 14

_____Sales Organization, Distributor #_____

DISCONTINUANCE AGREEMENT

Effective this date, I understand my authority to act as a Sales person with your organization is withdrawn.

This statement, which I am signing of my own free will, acknowledges that I have:

1). received pre-paid transportation to:_____:

2). in my possession all personal property which I did own and now own:

3). complete understanding that the remaining $_____ on my account will remain on the books for a period not to exceed ninety days from today and that I shall receive this amount, less any charges for returned checks, refunds and cancellations which may be processed within the ninety day period of time:

4). provided you with my correct address for sending any and all monies and any mail which may properly be mine.

I have returned all sales material, order forms and credentials which were issued to me while acting as a Sales person.

I have no claim--past, present or future--against you, any Sales person with whom I may have associated, or against the company through which you have cleared the business I have produced since becoming a Sales person.

DATED:_____ MY SIGNATURE:_____

WITNESS:_____ MY NAME:_____

CITY:_____ MY ADDRESS:_____

STATE:_____ CITY/STATE:_____

ATTACHMENT 15

THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF THE

DISTRICT ATTORNEY FOR MIDDLESEX COUNTY

CAMBRIDGE 02141

SCOTT HARSHBARGER
DISTRICT ATTORNEY

494-4050

MEMORANDUM

TO: Middlesex County Police Chiefs

FROM: Scott Harshbarger

DATE: May 16, 1986

RE: Door-to-Door Solicitations

During the past two summers this office has become aware of, and investigated, various organizations which recruit youngsters to sell magazines, or other products, and transport the youths into Middlesex County during the summer months. The purpose of this letter is to advise you of the likelihood that youngsters, mostly teenagers, will be in your city or town this summer soliciting magazines (or other products such as household cleaners or candy) door-to-door, and to ask for your assistance in dealing with the situation.

In addition, you should also be aware that local youths have been recruited through newspaper advertisements and subsequently transported to other areas of the country to sell various products. In fact, we already have one report this spring of local recruiting taking place at a hotel in Framingham.

Our concern with these door-to-door operations is twofold. First, there is evidence gathered from our investigation and those of other state and federal authorities that the young people recruited are exploited by some of these organizers. Promises to the youngsters of financial reward are never realized. Furthermore, there have been more serious allegations that the individuals recruited are subjected to cult-like brainwashing and involved in prostitution, drug trafficking, and the transportation of stolen cars and firearms.

Second, the consumer side of this issue is that the products sold are rarely delivered or are often worthless when they do arrive. In addition, there are generally widespread

complaints by residents of aggressive selling tactics and bizarre behavior by the saleskids. The solicitors usually insist on cash or checks made out to cash and give inconsistent information on their identities.

It has been difficult for law enforcement in this state and across the country to get a grip on what these organizations are actually doing. As mentioned earlier, the young people involved are generally transported to work in areas far from their homes. They travel in groups run by "crew chiefs" and move quickly through a state and then on to the next location. The organizations appear to be nationwide and change names and post office boxes frequently, although there is continuity of ownership.

We wish to make the law enforcement community throughout Middlesex County aware of this problem as we approach the summer months. There are some steps that can be taken in an effort both to protect your community and offer help to the youngsters involved.

Many cities and towns have ordinances which regulate door-to-door solicitations and they can be useful in controlling the situation and gathering information. These ordinances, which require that each person in a group intending to solicit present himself, or herself, to the local police, provide positive identification and obtain a permit from the police department to go door-to-door in that community, should be strictly enforced.

In this connection, you should be aware that the solicitors often give false identification when the youths are brought into a community. The "crew chiefs" may provide local authorities with a listing of names, social security numbers and addresses. Our experience over the course of the last couple of years has shown that information provided generally will not trigger a computer response. However, more extensive checking often reveals that at least some of the information provided on these forms and on identification cards or licenses, if any, is false. Such checking may require that your department call the local department in the city or town listed for each solicitor to determine whether the address and/or person exists. Although a crime may not have been committed by providing this false information, checking with the local police departments and attempting to confirm the youth's true identity may provide an opportunity to question a youngster who may be seeking help to get out of the situation. In any event, where appropriate bylaws govern, you are not required to allow solicitation by anyone failing to provide proper identification.

Local residents should be made aware of any ordinances or bylaws that regulate solicitation in your community. They are encouraged to insist upon seeing permits or identification of anyone soliciting without the proper permits or using irregular sales practices.

Finally, we would appreciate it if you kept us informed of solicitations and recruiting in your area. Recruiting is preceded briefly by advertisements in the help-wanted sections of local newspapers, then followed by short (usually two-to-three day) terms of interviewing at a local hotel. If you alert this office to recruiting activities, the information can, among other things, be shared and reports of missing persons considered in this context.

Assistant District Attorney Cathy Brooks, in our Public Protection Bureau, will be directing our investigation. Please contact her at 494-4823 if you have any information, comments or questions. Thank you for your cooperation.

PREPARED STATEMENT OF

JEFFREY R. MEDVED

Mr. Chairman and Members of the Subcommittee, my name is Jeffrey Medved. I live in Easton, Maryland and I am 21 years old. I worked for a traveling door-to-door sales organization in March and April of 1985.

In March 1985, I saw an ad in the "Help Wanted" section of a local newspaper looking for people who wanted to travel throughout the United States. The ad did not specify what type of work the job would involve. I called the number in the ad, and asked what the job was. I was told that this could not be discussed on the telephone and that I should come in person to an interview.

I went that afternoon to a local hotel, and Juanita Carlson interviewed me. She told me that the job involved traveling across the country, staying in nice hotels, being with a group of people, having a two-week expense paid training period, and free transportation home if I wanted to leave the company. She said I could earn $300 to $350 per week. She said I would be selling magazine subscriptions, but phrased it in terms of "renewing subscriptions for clients." She did not say anything about

door-to-door sales. It sounded very appealing. I mentioned that I had a friend who might also want a job, but she told me, "We do not hire friends." I believe that this policy was adopted because it helps to ensure that a sales agent will feel more vulnerable, insecure, and dependent on the group.

I was told that I could have the job if I was willing to leave that evening at 5:00 p.m. I accepted. I went to say goodbye to a friend, and told her about the job. She said she would also like to join the organization, but I told her that they would not hire friends. I then returned home to pack. Because I had to leave immediately, I really had no time to think about what was happening or to seek information about the group or advice about my plans.

My mother was suspicious about the job, but I told her everything would be fine. Juanita Carlson came to my house to pick me up and told my mother, "this will be good for your son." She gave my mother a letter explaining the job and a card with an address and phone number in Texas where I could receive messages and have my mail forwarded (these are attached to my statement).

When I went out to the car, my friend was there; she had gone to an interview after I told her about the job and got hired. We pretended that we did not know each other. We drove to a motel in Jessup, Maryland and joined the Vincent Pitts Sales Organization, which collects orders for Circulation Builders of

America in Fort Worth, Texas. Mr. Pitts was the manager of the group. He drove a fancy car and wore lots of gold jewelry. They also had junior managers named Bob Bond and Bob Cecil, and some car handlers. I signed a document that said that I would be an independent contractor because they asked me to, but I now know that that's not correct since I became dependent on the company for all my living expenses.

At first, the job seemed okay. I liked being away from home and traveling with a group of people about my age. I traveled to Delaware, Pennsylvania, Massachusetts, Connecticut, and New York. As time went on, however, I saw several things that troubled me.

The sales agents put in long days and worked very hard. We had to wake up early, attend a morning sales meeting, knock on doors for about 10 hours a day, and after check-in and a group dinner at a fast-food restaurant, "low sales" people had to attend a night meeting to review their sales pitches. We had to work six days a week, and on some Sundays, which was supposed to be our day off, we had to travel to new sales locations.

Now, I don't mind hard work and long hours if I'm being paid for it. But the only money I ever received was a nightly allowance of approximately $7 to $12 and sometimes a bonus on Saturdays. I had to use this money for all of my living expenses -- food, personal items, and laundry (except for hotel expenses

that were automatically drawn from my account). I once asked for additional money, but I was told I could not receive more until I had $200 in my account. The company kept these accounts, and I was never sure how much money I had earned. I was allowed to quickly see my account once in a while, and I would sign my name, but it was confusing, and I did not really understand the figures. I never received a copy of my account. I did know that the company was deducting my nightly allowances, my hotel expenses, cancelled orders, and fines for such things as being late for meetings from my account. I was sometimes in debt to the company, but I knew at the end I had some money coming to me. I never got it.

Another thing that disturbed me was the treatment of sales agents. I twice saw one of the junior managers, Bob Cecil, strike sales agents. One time, he punched a woman during a dispute between them, and another time he punched a man who had not made any sales that day. As much as I wanted to, I did not interfere. I guess I was afraid of being hit myself, and I knew I would get into trouble and probably be fined if I got involved. I did ask to be transferred to another car, however. I heard that other sales agents were beaten, but these were the only two episodes I actually saw. The manager, Mr. Pitts, always had two large Dobermans with him, and this was very intimidating. The whole environment was intimidating.

There was a good deal of drug use on the crew. At times, these drugs were supplied by the car handlers. One car handler would reward high selling agents with marijuana.

As far as I know, the company never obtained required permits to solicit, subjecting sales agents to arrest for this violation. I never was arrested, but I was stopped several times by the police and told I needed a permit. Sales agents were told that if questioned by the police, they were not to disclose the name of the hotel, the vehicle they were using in the area, or the name Vincent Pitts.

Everything on the crew was sales, sales, sales. The number of sales often determined who would sleep on a bed, and who would sleep on the floor if the room was crowded. Every morning there would be a meeting at which sales agents had to constantly repeat their sales pitches. If someone made a mistake, they had to do jumping jacks in front of the group. After dinner, as I said before, people with low sales had to attend another meeting to review their sales pitches. These meetings were on top of very long days of selling out on territory. When we approached customers, we told them that we were in a contest and that their purchase was very important -- I always said I needed the same number of points to win, although I had no idea how many points I had. Various techniques were used by the managers to encourage more sales, such as verbal abuse and embarrassment. We had to work in all kinds of weather and even if we were sick. We were

expected to constantly be enthusiastic and cheerful. "Negative" talk was not permitted.

You might wonder why I did not leave sooner. It is hard to explain. I had a lot of pride, and did not want to go home without any money, especially in view of my mother's initial suspicions about the job. But even more, the combination of the long working hours, lack of sleep, fast food, financial dependency, intense pressure to make sales, verbal abuse and fear of physical harm really got to me. Agents who wanted to quit were discouraged from doing so, and not permitted to discuss their feelings with other sales agents. I have to say that as compared to most others in the group, I think that I was more independent, less vulnerable, better educated and came from a more stable background. If I had trouble breaking away, you can imagine how they felt. It seemed to me that most of the other crew members came to view the group as a family, in which they would be rewarded if they were good and punished if they were bad.

I finally decided to leave. When I told this to management, they first tried to dissuade me, but then said I was not to speak to anyone, and I was not to attend the morning meeting. Word got around anyway that I was leaving, and one of the car handlers told the other agents that I was "scum" and a "low-powered agent with no will." I had to sign a document saying that the money in my account would be held for some period to cover cancellations.

I did receive a bus ticket home, but other than that, I never received another penny from the company.

I wanted to testify today, because I think there are a lot of weak and scared people out there who are being taken advantage of by these groups. I want to warn others, and I hope something can be done to stop these practices. I am sure most Americans would be shocked to know that there is a type of modern slavery operating in this country and that the suburbans and stationwagons roaming their neighborhoods are like slave ships carrying their own children.

I would be happy to answer any questions you might have.

PREPARED STATEMENT OF BARBARA MCKNIGHT

Mr. Chairman and Members of the Subcommittee, my name is Barbara McKnight. I am here to tell you about an experience that, in some ways, I would rather forget. But I think it is important to tell you, so that other young people will understand what they are getting involved in when they join a traveling sales crew.

I worked as a door-to-door sales agent for TICOA, a San Antonio, Texas company in early 1986. I was 18 years old at the time. I am 19 now. I answered an ad in the local newspaper in Port Angeles, Washington that promised travel to exciting places and the ability to make lots of money. I went to an interview at a hotel. Jerry and Dora Cooper, who managed my crew,called the Challengers, interviewed me. They showed me pictures of agents in Paris, Hawaii and Rome. Dora said I could go to these places too if I worked for them. All I had to do was sell magazines door to door. She said I could make all kinds of money, that I would be guaranteed $10.00 a day and a laundry allowance, and that we would travel all over the place. I love to travel, so I jumped at the idea. The Coopers hired me and told me to return to the hotel, ready to leave, the next day. They told me the name of the hotel where we were going in Takoma, but when my

mother tried to reach me there, she was told that they didn't know what rooms we were in, or if TICOA was even at the hotel.

The day after my interview, I returned to the hotel. The Coopers were not there, but two men drove me and another new agent to Tacoma, Washington to another hotel. The Coopers were not there either, and I later learned that they were at the police station bailing out almost half of the crew who had been arrested for selling without permits. My crew often traveled with other TICOA crews, including the Commandos and the Champions.

I was assigned to a trainer. That's what they call the person who teaches you all about how to sell magazines.

I was taught to do anything to make a sale. Our basic sales pitch was that there were 100 kids involved in a contest to win trips, and I was to say that I was the Washington representative. We were supposed to tell every customer that if only he or she would buy a magazine, we would win a contest. There were a lot of other lies. I remember telling customers that magazines came in Spanish editions when this was not true. I would find out customers' interests, and then tell them that particular magazines were devoted to these interests when I knew that wasn't true. We would tell college kids that we were not as lucky as them, and that we were working our way through college. These practices were encouraged by the managers, who said to do

whatever it takes. One time, I told Dora Cooper I had not been able to sell a magazine to a cute boy, and she asked me why I hadn't slept with him. When I did sell magazines, I would tell the customers about their right to cancel their subscriptions in three days, but ask them not to do it because I would get in trouble. Jerry had told us to tell customers not to fill in the cancellation form.

I hope you understand that I'm not the kind of person who usually lies to people. I am not proud of what I did. But there was something about the group and the way we all were that changed me.

Our daily routine was this. Every morning, we would have a sales meeting at 8:00. We would then go out in the cars, eat breakfast, and be out on territory by 10:00 or 11:00 a.m. Most car handlers would stop at a mini-market, so we could buy candy bars, but that was usually the only lunch we had. The last pickup was at 7:30 or 8:00 p.m. We would get back to the hotel by 9:00 or 10:00 p.m., check in, get our draws, and eat dinner. Then we had to attend another sales meeting at 11:00 p.m. If Jerry came to the meeting, it would last about an hour. We did not have sales meetings on Wednesday or Saturday nights. Wednesday was "rec night," and the managers would always have beer in their rooms for the crews. Saturday night was also free, unless we were traveling to a new location. If we traveled, we were usually still on the road Sunday morning, and would use the

rest of the day to unpack and do our laundry, and we would have a meeting on Sunday night to learn about the new area. As you can see, we worked very hard, and did not have much time for ourselves.

The only money I ever got when I was with the crew was $10.00 a night. I had to use this money for all my meals and for all my personal needs, including laundry. It was not enough money. I once asked for an additional $5.00 to get my hair cut, and was told to take it out of my $10.00 a night. One time I was sick and did not go out to make sales. When I asked for my money that night, I was told I didn't work, so I wouldn't get any money. Luckily, there was a kitchenette in the hotel, and two of my friends bought food and made me dinner that night. I am not a bad person, and I am not a thief, but one time I sold a magazine for cash, ripped up the receipt, and used the money for shampoo and toothpaste. I know that other agents did this too, because they just did not have enough money to eat and buy other things they needed. Lying to customers and ripping up that receipt always made me feel awful.

I was not the greatest sales agent in the world, but I did make sales, and I was supposed to earn a commission. I have no idea how much I earned, because I never saw my account. I asked the Coopers if I could see it, but I was always told "later" or they would change the subject. They easily could have told me, because all the information was stored in a computer that they

had with them. All I know is that when I left, they showed me something that said I owed the company $400. I know that they deducted my hotel costs and fines for being late to meetings.

Many things happened on the crew that really disturbed me. I saw Jerry push people, and he once pushed me when I told him I couldn't sell magazines. A car handler once slapped me for asking an innocent question. We were told to stay away from the police and to try to get into a customer's house if we saw a police car. This attitude made me afraid of the police. One time, a woman in the crew got lost, and police brought her back to the hotel. Jerry was furious. The next day, we were told she had gone to the hospital, but she never came back. We were not supposed to tell anyone what hotel we were staying in, and when we traveled, we never knew where we were going until we got there. There was drug use on the crew -- some of it came from the outside, but some of it was also supplied by a manager. One of my car handlers once told me to check if customers had any drugs to sell. While I was on the crew, several of the agents had their ID's stolen on different occasions.

Another thing that really bothered me was that car handlers would take female agents with low sales to deserted places and put their hands all over them. These incidents were called "toolie bonuses" and were supposed to help the agents to bring up their sales. Jerry joked about this practice, but it was not funny. I know, because it once happened to me.

They really knew how to manipulate your feelings. Everyone had to act positively. You were never allowed to say "I can't" -- we were told we could do whatever we wanted. I know now that we really could do whatever they wanted. One time, I begged Jerry and Dora to let me leave. They told me I would be letting everyone down, that if I couldn't handle this job, I couldn't handle anything, that if I was a failure, my Mom and friends wouldn't want me, and that they (the Coopers) had put so much into me. I ended up crying, because I felt I was letting Jerry and Dora down, and I even helped them hire someone else that day. They also told me that they couldn't afford to send me home that day, but I know this was not true as the Coopers appeared to be very wealthy.

I finally decided I had to get out. I just couldn't handle lying to people anymore. We were near a college town, and I did not want to rip off the college kids. Jerry said I couldn't have sympathy for them. So, I just stopped making sales and refused to get out of the car. This worked, and the Coopers fired me. I was in Arizona, and the bus trip back to Port Angeles took about 30 hours. They paid for my bus ticket, but $5.00 that I already had was all I had to eat with during the trip.

The adjustment since I have been out has been hard, and when I see a white Suburban with a Texas license plate like the one my crew rode around in, I still feel scared. Once, just before I

was going to be on a television program to talk about my experiences, I received a telephone call from one of the other crew managers, who was in Illinois at the time, where I am now living. He told me to come back and that he would give me a car and my own crew. This was strange, because as I said, I was not a great sales agent. Although it could have been a coincidence, this call made me afraid, and I did not appear on the show.

I admit that I am also nervous speaking to you today, but I am doing it, because I want people to know that these crews treat their sales agents badly and rip off people.

If you have any questions, I would be glad to try to answer them.

PREPARED STATEMENT OF REBECCA FOX

Mr. Chairman and Members of the Subcommittee,

My name is Rebecca Fox and I spent approximately three months in 1984 with Horace Robertson's sales crew. I saw an ad in the newspaper in May, 1984 in West Virginia and I was interviewed by Barbara Hilton, who was Mr. Robertson's secretary. She talked about making lots of money and made the job seem attractive. I immediately joined the crew. I signed an independent contractors agreement (which is attached to my statement) and I was told by Mr. Robertson that there was no need to keep my own records of sales because he would do that for me.

I did keep my own records and I worked hard and improved as a sales agent and I don't think that I got all of the money that I earned. I saw my "account" once during my three months with the crew, when I asked Mr. Robertson for money to get a new pair of shoes. He gave me $30 and took out my account sheet and put the $30 down on the sheet and told me to initial the sheet, which I did.

I asked Mr. Robertson about 5 times if I could see my account sheet but he would always come up with an excuse not to show it to me. The $30 for the shoes was the only extra draw I asked for. The only other money I received was my nightly draw, which depended on my sales for the day. I usually got about $6-12 per night but there were several times when I didn't do well on sales and I got no draw. On these occasions I would get some money from friends on the crew so I could get something to eat. I lost a lot of weight while I was with the crew as did other sales agents.

I met Jeff Fox, whom I later married, on the crew and we became friendly and would see each other at night, maybe for a pizza or just to talk, even though this was against the fraternization rules set by Mr. Robertson. At one sales meeting, Mr. Robertson told us that if we broke this rule, the guys would be fined $500 and the girls would be fined $300. This meeting took place in Alexandria, Virginia after a sales agent named Sumpter beat up one of the girls on the crew.

I saw people beaten up by Ray Martin and people threatened by Martin while I was with the crew. Martin was a car handler and an ex-Marine. One time in Odenton, Maryland, he slammed a door on one agent's hand (whose name I think was Pisaferraro) during a fight and I think he broke his hand or his fingers, and they wouldn't let him go to the hospital so I tried to bandage his fingers for him and then I got into trouble for that. About

10 agents saw this fight. Todd Lancaster tried to break it up and Martin pushed him around as well.

Afterwards some of us went to a bar to have a few beers and cool off but on the way back to the motel Larry Williamson, who was one of Mr. Robertson's people, got into a fight with Lancaster, who was probably drunk, and picked him up and slammed him to the ground and Lancaster cut his hand badly on a bottle. He had to go to the hospital for stitches.

When the crew was in Washington for the July 4 Beachboys concert on the mall, Ray Martin started a fight with Steve Lazar and beat up Lazar's ear badly because Lazar locked some keys in a car. I never saw Mr. Robertson hit anybody and I don't know if he knew about Ray Martin's assaults.

The girls on the crew would get threatened if sales weren't good. I recall that one time I was threatened by Martin and Jeff came to my defense and told him not to do anything to me. Jeff told me that Martin threatened to "kick his a__" if his sales didn't improve but he told Martin that if he did anything he (Jeff) would go to the police, and Martin pretty much left him alone after that.

I have gotten a bunch of hospital bills from a car accident in July, 1984 in Alexandria, Virginia while we were out on territory, and I had to go the hospital because I hurt my knee.

Mr. Robertson said he would take care of the bill but he didn't because they keep sending bills to my mother's address and now they are threatening to hire a collection agency to get the money from me.

After this accident I was on crutches for 3 or 4 weeks but I had to go out and sell every day, even though I wanted some time off and my knee was very swollen and hurt quite a bit. But at the sales meetings run by Mr. Robertson, the car handlers all told me to get out there and give it a try and don't let everybody down. I probably made a bunch of extra sales at this time because people felt sorry for me, and for Mr. Robertson this was even more reason to send me out on territory.

I was stopped twice for soliciting without a permit, on the same day when we were in White Plains (July 31). I thought that the car handlers took care of the necessary permits. The first time, the policeman just let me go with a warning, but later that day, an entire car was arrested and we didn't get out of jail until 2:00 a.m. I had never been in jail before. Barbara Hilton came to get us out and several days later Mr. Robertson had to pay our fines and Hilton said that he was very angry. I don't know how much the fines were and if he deducted that amount from my account.

I remember when we got to White Plains they gave us something and said it was a sales permit, which I still have and

is attached to my statement. I now know that this is not a permit for me because it has Steve Lazar's name on it. I think this is just another example of how we were deceived.

I tried to leave the crew 2 or 3 times and asked Mr. Robertson for a bus ticket home. Each time he said we'll see and he would take care of it tomorrow, and he never did. I know that the same thing happened to other crew members who wanted to leave. Mr. Robertson would always put them off.

I finally left along with Jeff in White Plains, New York. I was ready to leave anyway and I had my bags packed and I had gotten an extra hotel room key because we weren't supposed to have our own keys. But we ended up getting some help in leaving.

It started on August 6, 1984, when Jeff and I called several times to speak to Jeff's mother in Maryland and wish her a happy birthday. We also wanted to let her know that we were having problems and wanted to leave, but one of Mr. Robertson's people would always be with us at the phone so we had to just give yes and no answers. People associated with Mr. Robertson always "shadowed" me when I tried to call my own mother and if they thought I was about to leave the crew they would put a "shadow" on me for a while.

Jeff told me that Jim Allen "shadowed" him after he told Mr. Robertson on that day that he was going to leave. Jeff told me

that Mr. Robertson called him to his hotel room in White Plains and started yelling and complained about his bad sales and said he would "kick Jeff silly" or something like that. Jeff then told him that he wanted to leave.

Jeff's mother knew that something was wrong when we spoke to her and she apparently told Jeff's two brothers, Terry and Paul, to drive up to White Plains and get us, and not to come back without both of us.

When I came back from territory on August 7, I walked into the hotel lobby and saw two guys who looked a bit like Jeff (I had not met his brothers yet). Before I could do anything some crew members, along with Joe Robertson (Horace's brother), came up to me and told me to stay away from those guys.

I went over to them anyway and found out they were Jeff's brothers and I told them I wanted to leave. Joe Robertson came up again and told me to stay away from them and go up to my room. Then Jeff came in and everything seemed to bust loose from that point on.

We went to the meeting room to see Mr. Robertson and told him we wanted to quit the crew. He said he would get us bus tickets tomorrow and Jeff told him that he didn't need any transportation because his brothers were there. I said the same thing and Mr. Robertson tried to talk me out of leaving. Then

everybody in the room, like Mr. Robertson and his brothers, started yelling at Jeff and telling him that he could go but he couldn't take a good sales agent, meaning me, with him.

Then Marie Martin, Ray's wife, took me up to Barbara Hilton's room. Marie was there and Barbara and three other women and they tried to talk me out of leaving. They said that we weren't on the crew to meet guys, we were there to make sales. I was in tears by now. After about 1/2 hour another girl came into the room and said that Jeff had left and he said that I wasn't worth waiting for. I thought this was a lie (it was) but I was in hysterics by now and all confused.

I tried to get up and leave once and they made me sign some papers and then I got up to leave again and they wouldn't let me. I broke free and ran down to the elevator but Marie Martin was holding the doors open so the elevator couldn't move. So I took off down the stairway, praying that nobody would be waiting for me on the first floor.

I could hear everybody else behind me and when I got to the first floor I went through a back door and into an alley, since I was afraid that Mr. Robertson or somebody with him would be around the front door. But they caught up to me outside and held me against the wall. Now there was a guy from the crew, whose last name was Roberts, helping them out. I remember one woman saying, "listen b____, you're not going anywhere."

Then an ambulance drove up and two men got out of it and asked if I needed any help. I told them that these people were not letting me leave and the ambulance drivers threatened to call the police and they let me go.

The ambulance left but just then I saw Jeff down at the corner and I ran to him. I was so scared at this time and not sure what was going to happen next. His brother Terry was there and he told me to hide across the street behind a car which I did and Jeff or his brother called the police, who were there in a few minutes. When the police arrived, I came out from behind the car.

I explained the situation to the policeman and told him that my bags were packed and in my room. He took me to the hotel lobby and checked with the front desk to make sure my room had been paid for and they told him it was. Then he escorted me to my room. I remember the other crew members looking at me as I walked to my room and asking me what was going on, but the policeman said I should just keep walking and get my bags. After I got my bags the policeman made sure I was in the car with Jeff and his brothers and he made sure we were on our way back to Maryland.

The only other contact I have had with Mr. Robertson since then was when I received a $112 check from him with a note that

my balance (about another $100) would be forthcoming but I haven't gotten any more money. I really believe that I had more money owed to me because I remember when Barbara Hilton interviewed me that she said all of our room and board expenses would be taken care of and we would earn the commission on our sales. I had no idea that our money would be put on an "account" and deductions would be made for motels and meals. I know that Jeff was interviewed separately by Hilton and he came away with the same impression.

All I can say in closing is that those three months were the worst experience of my life, because I was deceived and taken advantage of by Mr. Robertson and his people. I would be glad to answer any questions you may have.

INFORMATION SUBMITTED BY DALE STEIGER

President/Chairman
DALE STEIGER ASSOCIATES
488 Madison Avenue
New York, New York 10022

A consulting service for Publishing and Direct Marketing companies, Dale Steiger Associates provides strategies, policy guidance and implementation programs in direct response prospecting, customer maintenance mailings, newsstand sales, fulfillment, mailing list management, subscription agency sales programs, start-ups, closures, acquisitions and divestitures.

President
BLUE RIBBON READING SERVICE

Direct Mail Subscription Sales Agency

President
DASCO PUBLISHING

Publisher of Tractor, Truck & Livestock PULLING Magazine

Employment Experience

1956-1971 Cowles Communications, Inc., publishers of LOOK, Venture Family Circle and The Insider's Newsletter

Various executive capacities-Des Moines, Iowa Subscription Division

Executive Vice President Subscription Sales Subsidiaries (ten companies).

Transferred to New York headquarters 1967-
Assistant to Corporate Executive Vice President.

1971-1972 Curtis Publishing Company, publishers of The NEW Saturday Evening Post, Holiday and Jack & Jill

Held posts of Associate Publisher
Director of Marketing
Circulation Director

In [illegible] for the following publications:

CBS Publications

American Photographer
Audio
Cycle World
Field & Stream
Home Mechanix
Road & Track
Woman's Day
Backpacker
Boating
Car and Driver
Cycle
Flying Popular Photography
Runner
Skiing
Stereo Review
Yachting

Family Media Publications

1001 Home Ideas
The Homeowner
Health
Savvy
World Tennis
Golf Illustrated

Antique Monthly

Horizon

Sport

The Sporting News

MS

U.S. News & World Report

The Atlantic Magazine

Lefthander Magazine

Savvy Magazine

Weight Watchers Magazine

World Tennis

Insight Magazine

Archive

Woman's Info Journal

Previous Consulting Projects for:

Home Furnishings Daily
Men's Wear
"W"
Woman's Wear Daily
Village Voice
Rolling Stone
Success Magazine
Sail
Motorboat
Marine Business
Inc.
Ultra
Car Collector
Everywoman
Gambler's World
Camera 35
Builder's Journal
International Reports
Money Reporter
Nurses Drug Alert
Physicians Drug Alert
L'Officiel
World Business Weekly
Musician Magazine
Video Review
Newsweek
Runner's World
High Fidelity
Modern Photography
The CPA Journal
Fit
National Comment
Firehouse Magazine
Andy Warhol's INTERVIEW
Connecticut Magazine
Outside
Home Magazine
Country Magazine
American Art Journal
New West
Quest Magazine
The Cook's Magazine
Travel & Leisure
Asia World
New Times
Islamica

Soap Box

Energy Update

Journal of Management Consulting

Family Journal

Next Magazine

American Bible Society

CAP Magazine

Home Owners How To

Harper's

New York Magazine

Financial World

Builder Magazine

Bergdorf-Goodman Merchandise Catalog

Tax Savings Hotline

Wall Street Report

Esquire

Saturday Review

Boardroom Reports

Tax Hotline

The Washington Times
(Newspaper)

Times Mirror Magazines
Golf
Outdoor Life
Popular Science
Ski

Catholic Digest

SAMPLE
$20 ORDER:

## Structure of Traveling Door-to-door Magazine Subscription Sales Industry

Exhibit 1

ULTRA KLEAN CHEMICAL COMPANY Aug 1484

WEEKLY EARNING AND EXPENSE RECORD Exhibit 2

NAME Bradby, R. WEEK ENDING 8-4-84

| DAY | SALES | PRODUCTION | HOTEL | ADVANCE | PTS. QTS. Half GALS. MISC. |
|---|---|---|---|---|---|
| MON | | | | | |
| TUES | | | | | |
| WED | 4 | 11480 | | 10- | 30000 |
| THUR | 1 | 2495 | | 5- | |
| FRI | 4 | 9980 | | 19- | |
| SAT | 8 | 21460 | | 20- | 8-Supp) |
| SUN | | | | | PTS. QTS. GALS. |
| TOTAL | 17 | 45415 | 35- | 36200 | |

NAME WEEK ENDING 8-11-84

| DAY | SALES | PRODUCTION | HOTEL | ADVANCE | PTS QTS H Gals. MISC. |
|---|---|---|---|---|---|
| MON | 7 | 17465 | | 16- | |
| TUES | 5 | 13975 | | 12- | |
| WED | 6 | 14970 | | 14- | |
| THUR | 2 | 4990 | | 10- | |
| FRI | 2 | 4990 | | 10- | |
| SAT | — | — | | 25- | 12-Supp) |
| SUN | | | | | PTS QTS Gals. |
| TOTAL | 22 | 56390 | 49- | 99- | |

NAME WEEK ENDING 8-18-84

| DAY | SALES | PRODUCTION | HOTEL | ADVANCE | PTS QTS H GALS. MISC. |
|---|---|---|---|---|---|
| MON | 5 | 12475 | | 14- | 155 |
| TUS | 6 | 14970 | | 14- | 10000 ✓ |
| WED | 5 | 12475 | | — | |
| THUR | 2 | 4990 | | 6- | |
| FRI | 3 | 7485 | | 7- | |
| SAT | — | — | | 20- | 12 Supp |
| SUN | | | | | PTS. QTS. GALS. |
| TOTAL | 21- | 52395 | 49- | 17455 | |

NAME WEEK ENDING 8-25-84

| DAY | SALES | PRODUCTION | HOTEL | ADVANCE | PTS. QTS. H. GAL. MISC. |
|---|---|---|---|---|---|
| MON | 6 | 14970 | | 12- | |
| TUES | 6 | 14970 | | 12- | |
| WED | 5 | 14475 | | 12- | 5- |
| THUR | 1 | 2495 | | 8- | |
| FRI | 2 | 4990 | | 8- | 974 7750 |
| SAT | 2 | 4990 | | 20- | 12-Supp |
| SUN | | | | | PTS. QTS. Gal. |
| TOTAL | 22 | 56890 | 49- | 9874 | |

NAME WEEK ENDING 8-31-84

| DAY | SALES | PRODUCTION | HOTEL | ADVANCE | PTS. QTS. H. Gal. MISC. |
|---|---|---|---|---|---|
| MON | 4 | 11480 | | 8- | 120 |
| TUES | 2 | 4990 | | 6- | |
| WED | 5 | 12475 | | 10- | |
| THUR | — | — | | 6- | |
| FRI | 6 | 16470 | | 12- | |
| SAT | | | | | 10-Supp |
| SUN | | | | | PTS. QTS. Gal. |
| TOTAL | 17 | 45415 | 35- | 5320 | |

HOTEL PD - 217.00
ADVANCE - 782.49
n.s.f. checks -18.22 -28.80 COMMISSIONS
+503.09 BALANCE FWD. less exp. - + 769.51
- 1052.01
amt. saved this month +220.59 NET THIS MONTH. -282.50
NET
Debit

SALES 99
PRODUCTION 2,565.05

30 August 84
Ramon Bradby

/ 12- -75
Commissions

PREPARED BY
APPROVED BY

Exhibit 3-

| | Total | Discontinued Agents Commission | DEBIT Balances |
|---|---|---|---|
| January | | 282788 | 301815 |
| February | | 452415 | 507677 |
| March | | 257967 | 357820 |
| April | | 302062 | 266586 |
| May | | 218583 | 276758 |
| June | | 234858 | 236008 |
| July | | 217603 | 215286 |
| August | | 329963 | 319172 |
| SEPTEMBER | | 116034 | 252766 |
| October | | 183900 | 278940 |
| November | | 212110 | 374607 |
| DECEMBER | | 154776 | 342413 |
| | | 2962715 | 3731807 |
| | | (2) | (21) |

(2). Summary

| | |
|---|---|
| Discontinued Agents Commissions | 2962715 |
| " " Debit Bal | 3731807 |
| Agents Commissions | 17221336 |
| " Debit Bal | 7455801 |
| TOTAL | 31371659 |

GREEN - 1104G YELLOW - 1104Y HISTACOUNT CORPORATION MELVILLE L. I., N. Y. 11740

12 - 1 - 85

Agents Commissions & Salaries

PREPARED BY:

APPROVED BY:

| | | Commission | Hotel Paid | DEBIT Balance |
|---|---|---|---|---|
| 1 | | | | |
| 2 | ANDERSON | 121234 | 57600 | 6764 |
| 3 | AUTREY | 319897 | 177300 | 13482 |
| 4 | ARSENAULT | 58629 | 19000 | 17960 |
| 5 | BASS | 236719 | 115259 | 900 |
| 6 | BELL | 74959 | 41300 | 17202 |
| 7 | BROWNING | 75518 | 21700 | 8034 |
| 8 | BETSCH | 33998 | 15800 | 1474 |
| 9 | BLASSER | 61083 | 37800 | 17699 |
| 10 | BOLTON | | 206750 | 376587 |
| 11 | BRADLEY | 73442 | 24600 | 25083 |
| 12 | BRADLEY | 29649 | 11000 | |
| 13 | CARLSON | 282162 | 144500 | 19918 |
| 14 | CORNISCABBLE | 67256 | 26200 | |
| 15 | COWLESS | 52540 | 36000 | 19748 |
| 16 | CRWLEY | 32772 | 6400 | 20069 |
| 17 | DAVIS | 94289 | 22400 | 71179 |
| 18 | DINGLEY | 229197 | 75200 | 45879 |
| 19 | DOLAN | 70216 | 32400 | |
| 20 | DUBOISE | 825830 | 474250 | 404639 |
| 21 | FAENZI | 931109 | 247600 | |
| 22 | GIBBONS | 252851 | 92300 | 16225 |
| 23 | GOLDBERG | | 55200 | 106210 |
| 24 | GOLIGHTLEY | 256631 | 200100 | 79796 |
| 25 | HANLEY | 28725 | | |
| 26 | HANLEY | 470800 | 213700 | |
| 27 | HASSEN | 66059 | 26743 | 31862 |
| 28 | HATFIELD | 75461 | 37800 | |
| 29 | HENRY | 59524 | 36200 | 20354 |
| 30 | HEINBAUGH | 571657 | 180600 | |
| 31 | HUFFMAN | 55364 | 48600 | 37493 |
| 32 | HALLENBACK | 86781 | 60300 | 37169 |
| 33 | HOLSER | 91645 | | 55196 |
| 34 | HUGHES | 82340 | 44400 | 21567 |
| 35 | IRWIN | 750721 | 262900 | |
| 36 | ISAAC | 23657 | 27800 | 34180 |
| 37 | KAPP | 451637 | 134100 | |
| 38 | KLINGER | 27579 | 15020 | 21630 |
| 39 | LANE | 44487 | 44100 | 29765 |
| 40 | | | | |
| 41 | | | | |

GREEN - 11130 YELLOW - 11131

HISTACOUNT CORPORATION, MELVILLE, L. I., N. Y. 11746

12-31-85

Agents Commissions & Expense

PREPARED BY:

APPROVED BY:

| | | Commission | Notes Paid | DEBIT Balance |
|---|---|---|---|---|
| 1 | LAZAR | 1146731 | 295300 | |
| 2 | Loving | 16726 | 6500 | 1139 |
| 3 | Mc Nugh | 66684 | 40500 | 21558 |
| 4 | Martin | | | 14144 |
| 5 | Martin | 98650 | 59765 | 3884 |
| 6 | Martin | 13669 | 5430 | 4198 |
| 7 | May | 18507 | 5430 | |
| 8 | Neidig | 81859 | 34600 | 1351 |
| 9 | O'Neil | 10276 | 8150 | |
| 10 | Palmerin | 19774 | 7000 | 2772 |
| 11 | Pesor | 91643 | 57600 | 13074 |
| 12 | Rydens | 96119 | 57600 | 23988 |
| 13 | Rydens | 75972 | 57600 | 23396 |
| 14 | Shoemaker | 114094 | 64000 | 32149 |
| 15 | Shrewsbury | 41901 | 35000 | 34673 |
| 16 | Smith | BF. DM | 249700 | |
| 17 | Stogler | 222634 | 72107 | |
| 18 | Taylor | 19232 | 7920 | 2667 |
| 19 | Temple | 153778 | 57900 | 5353 |
| 20 | Thomas | 568719 | 177000 | 17120 |
| 21 | Thome | 30102 | 16900 | |
| 22 | Towne | 74708 | 30100 | 2647 |
| 23 | Trammell | 130708 | 99900 | 28427 |
| 24 | Williams | 11354 | 37800 | |
| 25 | Williams | 172375 | 118396 | 48229 |
| 26 | Williamson | 100190 | 29940 | |
| 27 | Young | 133925 | 109800 | 5054 |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | 17221336 | 7091050 | 7465201 |
| 33 | | | | |
| 34 | | (2) | | (2) |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |

Exhibit 4

Form **1040X** (Rev. October 1986) (01)

Department of the Treasury—Internal Revenue Service

# Amended U.S. Individual Income Tax Return

OMB No 1545-0091
Expires 4-30-88

**This return is for calendar year ▶ 1985 , OR fiscal year ended ▶ , 19 .**

Please print or type

| Your first name and initial (if joint return, also give spouse's name and initial) | Last name | Your social security number |
|---|---|---|
| HORACE W. AND BLANCHE U. | ROBERTSON | 463 : 48 : 8970 |
| **Present home address (number and street or rural route) (If you have a P O Box, see instructions.)** | | **Spouse's social security number** |
| ROUTE 8, BOX 213 | | 209 : 44 : 9465 |
| **City, town or post office, state, and ZIP code** | | **Telephone number (optional)** |
| TEXARKANA, AR 75502 | | ( ) |

Enter below name and address as shown on original return (if same as above, write "Same"). If changing from separate to joint return, enter names and addresses used on original returns. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)

SAME

YOUR FILE COPY
SACKRIDER & COMPANY INC.
TERRE HAUTE, INDIANA

a Service center where original return was filed. ▶ AUSTIN, TX.

b Has original return been changed or audited by IRS? . . . . ☐ Yes ☒ No
If "No," have you been notified that it will be? . . . . . ☐ Yes ☒ No
If "Yes," identify IRS office ▶

c Are you amending your return to include any item (loss, credit, deduction, other tax benefit, or income) relating to a tax shelter required to be registered? . . . . . ☐ Yes ☒ No
If "Yes," you **MUST** attach **Form 8271**, Investor Reporting of Tax Shelter Registration Number.

d Filing status claimed. (**Note:** *You cannot change from joint to separate returns after the due date has passed.*)
On original return . ▶ ☐ Single ☒ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)
On this return . . ▶ ☐ Single ☐ Married filing joint return ☐ Married filing separate return ☐ Head of household ☐ Qualifying widow(er)

| Income and Deductions | | A. As originally reported or as adjusted (see Instructions) | B. Net change—Increase or (Decrease)—explain on page 2 | C. Correct amount |
|---|---|---|---|---|
| 1 Total income (see Instructions) | 1 | <40,097> | 81,628 | 41,531 |
| 2 Adjustments to income (see Instructions) | 2 | | | |
| 3 Adjusted gross income (subtract line 2 from line 1) | 3 | <40,097> | 81,628 | 41,531 |
| 4 Deductions (see Instructions) | 4 | | | |
| 5 Subtract line 4 from line 3 | 5 | <40,097> | 81,628 | 41,531 |
| 6 Exemptions (see Instructions) | 6 | 4,160 | | 4,160 |
| 7 Taxable income (subtract line 6 from line 5) | 7 | NONE | 37,371 | 37,371 |
| **Tax Liability** 8 Tax (see Instructions). (Method used in col. C SEE REVERSE.) | 8 | 335 | 6774 | 7,109 |
| 9 Credits (see Instructions) AMENDED 3468 ATTACHED | 9 | | 2293 | 2,293 |
| 10 Subtract line 9 from line 8. Enter the result, but not less than zero | 10 | 335 | 4,481 | 4,816 |
| 11 Other taxes (such as self-employment tax, alternative minimum tax) | 11 | | 2884 | 2,884 |
| 12 Total tax liability (add line 10 and line 11) | 12 | 335 | 7,375 | 7,710 |
| **Payments** 13 Federal income tax withheld and excess FICA and RRTA tax withheld | 13 | | | |
| 14 Estimated tax payments | 14 | 10,020 | | 10,020 |
| 15 Earned income credit | 15 | | | |
| 16 Credits for Federal tax on gasoline and special fuels, regulated investment company, etc. | 16 | | | |
| 17 Amount paid with Form 4868, Form 2688, or Form 2350 (application for extension of time to file) | | | 17 | |
| 18 Amount paid with original return, plus additional tax paid after it was filed | | | 18 | |
| 19 Total of lines 13 through 18, column C | | | 19 | 10,020 |
| **Refund or Amount You Owe** | | | | |
| 20 Overpayment, if any, as shown on original return (or as previously adjusted by IRS) | | | 20 | 9,685 |
| 21 Subtract line 20 from line 19 (see Instructions) | | | 21 | 335 |
| 22 **AMOUNT YOU OWE.** If line 12, col. C, is more than line 21, enter difference. Please pay in full with this return. | | | 22 | 7,375 |
| 23 **REFUND** to be received. If line 12, column C, is less than line 21, enter difference | | | 23 | |

**Please Sign Here**

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

▶ Your signature Date ▶ Spouse's signature (if filing jointly, BOTH must sign)

**Paid Preparer's Use Only**

Preparer's signature ▶ Donald D Buck Date 7-14-87 Check if self-employed ☐ Preparer's social security no. 313 : 38 : 3827

Firm's name (or yours, if self-employed) and address ▶ ID NO 35-1527494 SACKRIDER & COMPANY INC. E.I. No ZIP code

For Paperwork Reduction Act Notice, see page 1 of separate Instructions.

BE SURE TO COMPLETE PAGE 2

Form 1040X (Rev. 10-86) Page 2

**Part I** **Exemptions (see Form 1040 or Form 1040A Instructions)**
**If claiming more exemptions, complete lines 1–9.**
**If claiming fewer exemptions, complete lines 1–6.**

| | | | A. Number originally reported | B. Net change | C. Correct number |
|---|---|---|---|---|---|
| 1 | Exemptions—yourself and spouse, 65 or over, blind | 1 | 2 | | 2 |
| 2 | Your dependent children who lived with you | 2 | 2 | | 2 |
| 3 | For tax years beginning after 1984, your dependent children who did not live with you | 3 | | | |
| 4 | Other dependents | 4 | | | |
| 5 | Total exemptions (add lines 1 through 4) | 5 | 4 | | 4 |
| 6 | Multiply $1,080 ($1,040, for tax year 1985; $1,000, for tax years beginning before 1985) by the number of exemptions claimed on line 5. Enter the result here and on page 1, line 6 | 6 | 4160 | | 4,160 |

7 First names of your dependent children who lived with you and were not claimed on original return: **Enter number ▶** 0

8 For tax years beginning after 1984, first names of your dependent children who did not live with you and were not claimed on original return (see Instructions). (If pre-1985 agreement, check here ☐.) **Enter number ▶** 0

9 Other dependents not claimed on original return:

| (a) Name | (b) Relationship | (c) Number of months lived in your home | (d) Did dependent have income of at least $1,080 ($1,040 for tax year 1985, $1,000 for tax years beginning before 1985)? | (e) Did you provide more than one-half of dependent's support? |
|---|---|---|---|---|
| | | | | |
| | | | | |

**Enter number ▶** 0

**Part II** **Explanation of Changes to Income, Deductions, and Credits**

**Enter the line number from page 1 for each item you are changing and give the reason for each change. Attach all supporting forms and schedules for items changed. Be sure to include your name and social security number on any attachments.**

If the change pertains to a net operating loss carryback, a general business credit carryback, or for tax years beginning before 1986, a research credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the Instructions. Also, check here ▶ ☐

TOTAL CHARGES LESS CHARGEBACKS REPORTED ON SCHEDULE C, LINE 31c SHOULD HAVE BEEN $13,257 INSTEAD OF $94,835 AS ORIGINALLY REPORTED. SCHEDULE C WOULD THEN SHOW NET PROFIT OF $24,441.

| | |
|---|---|
| REGULAR TAX PER TABLE | 6774 |
| ITC RECAPTURE | 335 |
| LINE 8c ON PAGE 1 | 7,109 |

**Part III** **Presidential Election Campaign Fund**
**Checking below will not increase your tax or reduce your refund.**

If you did not previously want to have $1 go to the fund, but now want to . . . . . check here ▶ ☐
If joint return and your spouse did not previously want to have $1 go to the fund, but now wants to . . . . . check here ▶ ☐

☆ U.S. GOVERNMENT PRINTING OFFICE 1986—493-143/67-0367773

AMENDED

**SCHEDULE SE (Form 1040)**
Department of the Treasury Internal Revenue Service (O)

# Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
**1985**
18

Name of self-employed person (as shown on social security card): HORACE W. ROBERTSON

Social security number of self-employed person ▶ 463 45 5920

## Part I Regular Computation of Net Earnings From Self-Employment

*Note: If you performed services for certain churches or church-controlled organizations and you are not a minister or a member of a religious order, see the instructions.*

1 Net farm profit or (loss) from Schedule F (Form 1040), line 39, and farm partnerships, Schedule K-1 (Form 1065), line 13a . . . . . 1

2 Net profit or (loss) from Schedule C (Form 1040), line 33, Schedule K-1 (Form 1065), line 13a (other than farming), and Form W-2 wages of $100 or more from an electing church or church-controlled organization. (See instructions for other income to report.) . . . . . 2 24,441

Note: ☐ *Check here if you are* ***exempt*** *from self-employment tax on your earnings as a minister, member of a religious order, or Christian Science practitioner because you filed* ***Form 4361****.*
See instructions for kinds of income to report. If you have other earnings of $400 or more that are subject to self-employment tax, include those earnings on line 2.

## Part II Optional Computation of Net Earnings From Self-Employment (See "Who Can Use Schedule SE")

Generally, this part may be used **only** if you meet any of the following tests:

**A** Your gross farm income (Schedule F (Form 1040), line 12) was not more than $2,400; or

**B** Your gross farm income (Schedule F (Form 1040), line 12) was more than $2,400 and your net farm profits (Schedule F (Form 1040), line 39) were less than $1,600; or

**C** Your net nonfarm profits (Schedule C (Form 1040), line 33) were less than $1,600 and also less than two-thirds (⅔) of your gross nonfarm income (Schedule C (Form 1040), line 5).

See instructions for other limitations.

3 Maximum income for optional methods . . . . . 3 $1,600 00

4 Farm Optional Method—If you meet test A or B above, enter: the smaller of two-thirds (⅔) of gross farm income from Schedule F (Form 1040), line 12, and farm partnerships, Schedule K-1 (Form 1065), line 13b; or $1,600 . . . . . 4

5 Subtract line 4 from line 3 . . . . . 5

6 Nonfarm Optional Method—If you meet test C above, enter: the smallest of two-thirds (⅔) of gross nonfarm income from Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 13c (other than farming); or $1,600; or, if you elected the farm optional method, the amount on line 5 . . . . . 6

## Part III Computation of Social Security Self-Employment Tax

7 Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4 . . . . . 7

8 Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6 . . . . . 8 24,441

9 Add lines 7 and 8. If less than $400, do not fill in the rest of the schedule because you are not subject to self-employment tax. (**Exception:** If this line is less than $400 and you are an employee of an electing church or church-controlled organization, complete the schedule unless this line is a loss. See instructions.) . . . . . 9 24,441

10 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (Tier 1) for 1985 is . . . . . 10 $39,600 00

11 a Total social security wages and tips from Forms W-2 and railroad retirement compensation (Tier 1). **Note:** *U.S. Government employees whose wages are only subject to the 1.35% hospital insurance benefits tax (Medicare) and employees of certain church or church-controlled organizations should not include those wages on this line (see instructions)* . . . . . 11a

b Unreported tips subject to social security tax from Form 4137, line 9, or to railroad retirement tax (Tier 1) . . . . . 11b

c Add lines 11a and 11b . . . . . 11c

12 a Subtract line 11c from line 10 . . . . . 12a 39,600

b Enter your "qualified" U.S. Government wages if you are required to use the worksheet in Part III of the instructions. 12b

c Enter your Form W-2 wages from an electing church or church-controlled organization. 12c

13 Enter the smaller of line 9 or line 12a . . . . . 13 24,441

If line 13 is $39,600, fill in $4,672.80 on line 14. Otherwise, multiply line 13 by .118 and enter the result on line 14 . . . . . .118

14 Self-employment tax. Enter this amount on Form 1040, line 51 . . . . . 14 2884

AMENDED

Form **3468**

Department of the Treasury
Internal Revenue Service (O)

## Computation of Investment Credit

▶ Attach to your tax return.
▶ Schedule B (Business Energy Investment Credit) on back.

OMB No. 1545-0155

**1985**
24

Name(s) as shown on return: HORACE W. ROBERTSON

Identifying number: 463-48-8920

**Part I** Elections (Check the box(es) below that apply to you (See Instruction D).)

A I elect to increase my qualified investment to 100% for certain commuter highway vehicles placed in service before January 1, 1986 (section 46(c)(6)) ☐

B I elect to increase my qualified investment by all qualified progress expenditures made this and all later tax years ☐
Enter total qualified progress expenditures included in column (4), Part II ▶

C I claim full credit on certain ships under section 46(g)(3) (See Instruction B for details.) ☐

**Part II** Qualified Investment (See instructions for rules on automobiles and other property with any personal use)

| 1 Recovery Property | | Line | (1) Class of Property | (2) Cost or Other Basis | (3) Applicable Percentage | (4) Qualified Investment (Column 2 x column 3) |
|---|---|---|---|---|---|---|
| Regular Percentage | New Property | (a) | 3-year | 35,054 | 60 | 22,832 |
| | | (b) | Other | | 100 | |
| | Used Property | (c) | 3-year | | 60 | |
| | | (d) | Other | | 100 | |
| Section 48(q) Election to Reduce Credit (instead of adjusting basis) | New Property | (e) | 3-year | | 40 | |
| | | (f) | Other | | 80 | |
| | Used Property | (g) | 3-year | | 40 | |
| | | (h) | Other | | 80 | |

| | | | |
|---|---|---|---|
| 2 | Nonrecovery property—Enter total qualified investment (See instructions for line 2) | 2 | |
| 3 | New commuter highway vehicle—Enter total qualified investment (See Instruction D(1)) | 3 | |
| 4 | Used commuter highway vehicle—Enter total qualified investment (See Instruction D(1)) | 4 | |
| 5 | **Total qualified investment in 10% property**—Add lines 1(a) through 1(h), 2, 3, and 4 (See instructions for special limits) | 5 | 22,832 |
| 6 | Qualified rehabilitation expenditures—Enter total qualified investment for: | | |
| a | 30-year-old buildings | 6a | |
| b | 40-year-old buildings | 6b | |
| c | Certified historic structures (You must attach NPS certification—see instructions) | 6c | |

**Part III** Tentative Regular Investment Credit

| | | | |
|---|---|---|---|
| 7 | 10% of line 5 | 7 | 2,283 |
| 8 | 15% of line 6a | 8 | |
| 9 | 20% of line 6b | 9 | |
| 10 | 25% of line 6c | 10 | |
| 11 | Credit from cooperatives—Enter regular investment credit from cooperatives | 11 | |
| 12 | Regular investment credit—Add lines 7 through 11 | 12 | 2,283 |
| 13 | Business energy investment credit—From line 11 of Schedule B (see back of this form) | 13 | |
| 14 | Current year investment credit—Add lines 12 and 13 | 14 | 2,283 |

*Note: If you have a 1985 jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), or employee stock ownership plan (ESOP) credit (Form 8007) in addition to your 1985 investment credit, or if you have a carryback or carryforward of any general business credit, stop here and go to Form 3800, General Business Credit, to claim your 1985 investment credit. If you have only a 1985 investment credit (which may include business energy investment credit), you may continue with lines 15 through 20 to claim your credit.*

**Part IV** Tax Liability Limitations

| | | | |
|---|---|---|---|
| 15 | a Individuals—From Form 1040, enter amount from line 46<br>b Corporations—From Form 1120, Schedule J, enter tax from line 3 (or Form 1120-A, Part I, line 1).<br>c Other filers—Enter income tax before credits from return | 15 | 6,774 |
| 16 | a Individuals—From Form 1040, enter credit from line 47, plus any orphan drug, nonconventional source fuel, and research credits included on line 49<br>b Corporations—From Form 1120, Schedule J, enter credits from lines 4(a) through 4(e) (Form 1120-A filers, enter zero)<br>c Other filers—See instructions for line 16c | 16 | |
| 17 | Income tax liability as adjusted (subtract line 16 from line 15) | 17 | 6,774 |
| 18 | a Enter smaller of line 17 or $25,000 (See instructions for line 18) | 18a | 6,774 |
| | b If line 17 is more than $25,000—Enter 85% of the excess | 18b | |
| 19 | Investment credit limitation—Add lines 18a and 18b | 19 | 6,774 |
| 20 | Total allowed credit—Enter the smaller of line 14 or line 19. This is your **General Business Credit** for 1985. Enter here and on Form 1040, line 48; Form 1120, Schedule J, line 4(f); Form 1120-A, Part I, line 2; or the proper line of other returns | 20 | 2,283 |

For Paperwork Reduction Act Notice, see separate instructions.

Form 3468 (198

# STATE OF ARKANSAS
## Amended Individual Income Tax Return

Form
**AR-1000-A**

TAX YEAR AMENDED • 1985
FISCAL YEAR ENDING •

EFFECTIVE DATE: DECEMBER 1, 1985

| FOR OFFICE USE ONLY | • FILE DATE | • AMT PD | • PREP ID |
|---|---|---|---|
| | | | |

| • FIRST NAME & INITIAL — LIST BOTH IF APPLICABLE | • LAST NAME | • YOUR SOCIAL SECURITY # | YOUR OCCUPATION |
|---|---|---|---|
| HORACE W. & BLANCHE M. | ROBERTSON | 463 \| 48 \| 8920 | SALES |
| **• PRESENT ADDRESS — NUMBER & STREET, APARTMENT NUMBER, OR RURAL ROUTE** | | **• SPOUSE'S SOCIAL SECURITY #** | **SPOUSE'S OCCUPATION** |
| ROUTE 8, BOX 213 | | 209 \| 44 \| 9465 | HOMEMAKER |
| **• CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE** | | **YOUR TELEPHONE NUMBER** | HOME / WORK |
| TEXARKANA, AK 75502 | | | |

YOUR FILE COPY

SACHRIDER TERRE HAUTE INDIANA

CHECK ONLY ONE BOX BELOW

1. ☐ Single
2. ☒ Married Filing Joint (Even if Only One Had Income)
3. ☐ Unmarried Head of Family
   Mark 2 or More Boxes on Line 8A
4. ☐ Married Filing Separately on This Same Return
5. ☐ Married Filing Separately on Different Returns
   NAME _____
   List Spouse's Full Name Here and SSN Above

**RESIDENCY & FEDERAL INFORMATION**

For Department Use Only

| | You | Spouse |
|---|---|---|
| 6. Full Year Resident | ☒ | ☒ |
| (1) Non Resident | ☐ | ☐ |
| (2) Part Year Resident | ☐ | ☐ |

From ___ / ___ / to ___ / ___

If You Checked 6(1) or 6(2) Please Attach a Copy of Your U.S. 1040 or Complete Line 7.

| | |
|---|---|
| 7.A. Total Federal Adjusted Gross Income | $ |
| B. Total Federal Itemized Deductions | $ |

8. A. Yourself ☒ 65 or over ☐ Blind ☐ Deaf ☐ Unmarried Head of Family ☐
   Spouse ☒ 65 or over ☐ Blind ☐ Deaf ☐ Multiply number of boxes checked (from 8A) 2 x 17.50 = 35 00
   B. First Names of Children & Dependents: (Do Not List Yourself or Spouse)
   CLIFTON, JONATHON
   Multiply Number of Dependents (From 8B) 2 x 6.00 = 12 00
   C. First Names of Retarded Children _____
   _____ Multiply Number of Retarded Children (From 8C) ___ x 500.00 = ___ 00
9. Total Personal Credits (Add Lines 8A, 8B, 8C) ..... 9. 47 00

HAS YOUR TAX RETURN BEEN ADJUSTED BY THE IRS? ☐ YES ☒ NO IF YES, ATTACH REPORTS

| INCOME | PART A: ORIGINAL A. YOURS | PART A: ORIGINAL B. SPOUSE | | PART B: AMENDED A. YOURS | PART B: AMENDED B. SPOUSE |
|---|---|---|---|---|---|
| 10. TOTAL INCOME ..... 10 | (40,397) 00 | 00 | 10 | 41,231 00 | 00 |
| 11. ADJUSTMENTS TO INCOME ..... 11 | 00 | 00 | 11 | 00 | 00 |
| 12. ADJUSTED INCOME ..... 12 | (40,397) 00 | 00 | 12 | 41,231 00 | 00 |
| 13. ITEMIZED DEDUCTIONS ..... 13 | 00 | 00 | 13 | 00 | 00 |
| 14. CHARITABLE CONTRIBUTIONS ..... 14 | 00 | 00 | 14 | 00 | 00 |
| 15. NET TAXABLE INCOME ..... 15 | (40,397) 00 | 00 | 15 | 41,231 00 | 00 |

| TAX COMPUTATION | A. YOURS | B. SPOUSE |
|---|---|---|
| 16. SELECT TAX TABLE: ENTER TAX ..... 16 | 2,148 00 | 00 |
| LOW INCOME-TABLE 1 ☐ STANDARD-TABLE 2 ☒ ITEMIZED-TABLE 3 ☐ | | |
| 17. TAX (ENTER TOTAL OF LINES 16A AND 16B) ..... 17 | 2,148 | 00 |
| 18. TAX FROM TEN YEAR AVERAGING SCHEDULE ..... 18 | | 00 |
| 19. EARLY WITHDRAWAL PENALTY FROM IRA ..... 19 | | 00 |
| 20. TOTAL TAX (ADD LINES 17 THROUGH 19) ..... 20 | 2,148 | 00 |

| TAX CREDITS | | |
|---|---|---|
| 21. PERSONAL TAX CREDITS ..... 21 | 47 00 | |
| 22. OTHER STATE TAX CREDITS ..... 22 | 00 | |
| 23. CHILD CARE CREDIT ..... 23 | 00 | |
| 24. HIGHER EDUCATION CREDIT ..... 24 | 00 | |
| 25. BUSINESS AND INCENTIVE TAX CREDITS ..... 25 | 00 | |
| 26. TOTAL CREDITS (ADD LINES 21-25) ..... 26 | | 47 00 |
| 27. TAX LIABILITY (SUBTRACT LINE 26 FROM LINE 20 — ENTER AMOUNT) ..... 27 | | 2,101 00 |

| | | | |
|---|---|---|---|
| 28. TAX LIABILITY (FROM LINE 27) | 28 | 2,101 | |

PAYMENTS

| | | | |
|---|---|---|---|
| 29. ARKANSAS INCOME TAX WITHHELD | 29 | | 00 |
| 30. ESTIMATED TAX PAID | 30 | 1,650 | 00 |
| 31. HOMESTEAD PROPERTY TAX REBATE | 31 | | 00 |
| 32. AMOUNT PAID WITH RETURN | 32 | | |
| 33. AMOUNT PAID AFTER RETURN WAS FILED | 33 | | |
| 34. TOTAL PAID | 34 | | |
| 35. SUBTRACT PREVIOUS OVERPAYMENT | 35 | 1,650 | |
| 36. BALANCE OF PAYMENTS TO APPLY TO LIABILITY | 36 | — | 00 |

REFUND OR AMOUNT DUE

| | | | |
|---|---|---|---|
| 37. AMOUNT TO BE REFUNDED TO YOU: (IF LINE 36 IS GREATER THAN LINE 28, ENTER HERE) | 37 | | |
| 38. AMOUNT DUE: (IF LINE 28 IS GREATER THAN LINE 36, ENTER HERE) | 38 | 2,101 | |

UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE EXAMINED THIS RETURN AND ACCOMPANYING SCHEDULES AND STATEMENTS, AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, THEY ARE TRUE, CORRECT, AND COMPLETE. DECLARATION OF PREPARER (OTHER THAN TAXPAYER) IS BASED ON ALL INFORMATION OF WHICH THE PREPARER HAS ANY KNOWLEDGE.

PLEASE SIGN HERE _____ / _____ / _____
PRIMARY SPOUSE DATE

PREPARER'S SIGNATURE Donald D. Rusk DATE 7-14-87
ID/SSN 313-35-3827
NAME I.D. NO. 35-1327484
ADDRESS SACKRIDER & COMPANY, INC.
CITY STATE ZIP CERTIFIED PUBLIC ACCOUNTANTS
TERRE HAUTE, INDIANA 47808-0330

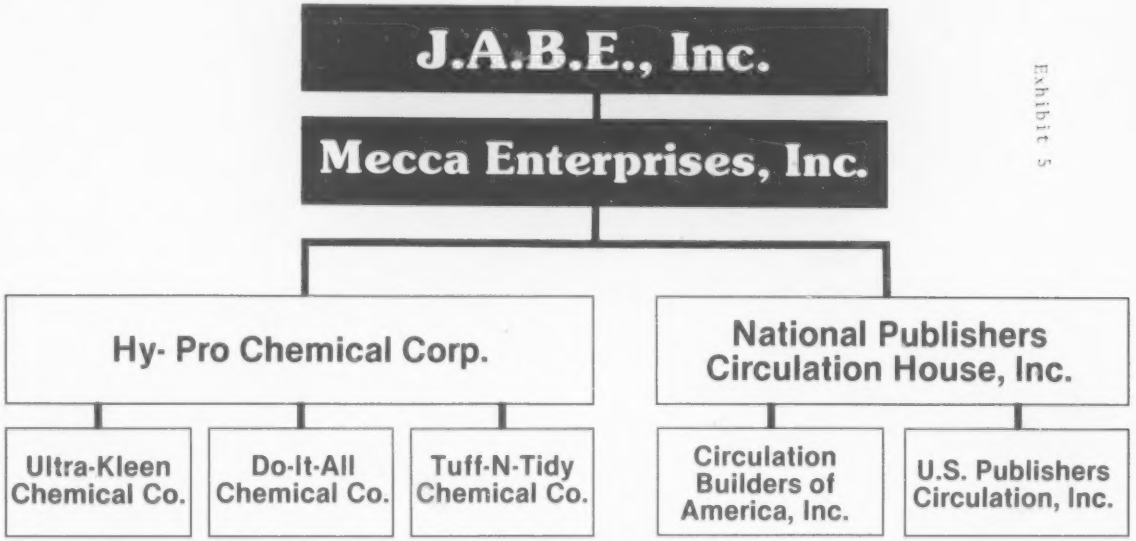
EXPLANATION FOR FILING AMENDED RETURN:

BUSINESS EXPENSES WERE INADVERTANTLY OVERSTATED ON ORIGNAL FEDERAL FORM 1040 SCHEDULE C. FEDETRAL RETHRN HAS BEEN AMENDED TO REFLECT A SIMILAR CORRECTION.

MAIL RETURNS TO: STATE INCOME TAX, P.O. BOX 3628, LITTLE ROCK, AR 72203-3628

# JOSEPH EDGE COMPANIES

(related to magazine and chemical distribution)




**INACTIVE:**

• Nationwide Publishers, Inc. • World Circulation, Inc. •
• American Publishers Service, Inc. • Home Magazine Sales, Inc. •
• Executive Sales, Inc. •

Exhibit 5

Exhibit 6

# A F F I D A V I T

STATE OF TEXAS *
*
COUNTY OF TARRANT *

## QUESTIONS PROPOUNDED BY THE PERMANENT SUBCOMMITTE ON INVESTIGATIONS (MINORITY) OF THE COMMITTE ON GOVERNMENTAL AFFAIRS AND ANSWERS GIVEN BY JOSEPH W. EDGE UNDER OATH

QUESTION (1) Did you individually or through your companies change your business practices in any way as a result of the decision of the Minnesota Supreme Court in State of Minnesota v. Mecca Enterprises, Inc.

ANSWER: NO.

a) If the answer to (1) is yes, describe in detail the way(s) in which you changed your business practices.

b) If the answer to (1) is no, explain why you did not change your business practices.

ANSWER: It has never been my practice or the practice of any company owned by me to participate in any false or misleading advertising or sales techniques. The violations which my company was charged with were not committed by the company or me, but were the acts of individuals who worked independant of me and my companies.

QUESTION (2) Did you (individually or through your companies) direct distributors with whom you contract to change their business practices as a result of the decision of the Minnesota Supreme Court in State of Minnesota v. Mecca Enterprises, Inc., and if so, what were your directions?

ANSWER: Yes. Independant contractor forms were re-worked by my attorneys in order to conform them with the prevailing rules governing independant contractors. All Distributors were informed of the ruling of the Minnesota Supreme Court in State of Minnesota v. Mecca Enterprises, Inc., and instructed to strictly follow the guidelines relating to independant contractors. In addition, all Distributors were again instructed to refrain from any misleading advertising and or misleading sales techniques. They were further informed that future violations would result in the cancellation of their contracts to clear through Mecca Enterprises or any other company owned by me.

QUESTION (3) Have you (either individually or through your companies), or have the distributors with whom you contract, changed the business practices cited by the Minnesota Supreme Court in State of Minnesota v. Mecca Enterprises, Inc., since the date of that decision, whether or not such changes resulted from the decision, and if so, in what way(s)?

ANSWER: Yes. To the best of my knowledge, the distributors have conformed to my instructions as related in my answer to question (2) above. If an instance has come to my attention that a particular distributor is not conforming, that distributor's contract to clear business through my companies is cancelled.

QUESTION (4) Has Mecca Enterprises, Inc. ever been charged with contempt of court for violating the order of the district Court referenced in State of Minnesota v. Mecca Enterprises, Inc., and if so when, and for what reason, was this charge made?

ANSWER: Yes. Mecca Enterprises Inc., was found guilty of violating the terms of paragraph 8 of the Court's order of January 21, 1975, and paid a fine of $250.00 on the 21st day of August, 1978. The Court found that Kathy Hubbard on April 25 and 27, 1978, did, or attempt to induce, influence, pursuade, or engage a person to enter into employment with Mecca by means of a false or deceptive representation. The contract of the distributor involved, DON McLEAN, was cancelled and he has not since been employed by me or any of my companies. Since that time there has been no other problems in the state of Minnesota to my knowledge.

SIGNED this 18th day of February, 1987.

Joseph W. Edge
JOSEPH W. EDGE, Affiant

BEFORE ME the undersigned authority, appeared JOSEPH W. EDGE, on the 18th day of February, 1987, and stated under oath that the above statements are true and correct to the best of his knowledge.

Cheryl Hunt
Notary Public, State of Texas
My Commission Expires: 4/27/89
Printed or Typed Name of Notary

CHERYL HUNT

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

Exhibit 7

April 3, 1987

The Honorable William V. Roth, Jr.
Ranking Minority Member
Committee on Governmental Affairs
Senate Permanent Subcommittee
on Investigations
United States Senate
Washington, D.C. 20510

Dear Bill:

Thank you for your letter of March 12 concerning traveling sales agents who sell magazine subscriptions and cleaning products door-to-door in interstate commerce and who are subject to exploitative working conditions.

The Fair Labor Standards Act (FLSA) is the Federal law of most general application concerning wages and hours of work. The FLSA applies to employees who are individually engaged in interstate commerce or in the production of goods for interstate commerce and to all employees in certain enterprises. Covered employees must be paid a minimum wage of not less than $3.35 an hour and overtime pay of not less than one and one-half times their regular rates of pay for all hours worked in excess of 40 in a workweek, unless a specific exemption applies. The FLSA also provides recordkeeping and child labor standards.

Section 13(a) (1) of FLSA provides a minimum wage and overtime pay exemption for any employee who is employed in a bona fide outside sales capacity as that term is defined in section 541.5 of Regulations, 29 CFR Part 541. A door-to-door sales agent may qualify for exemption, provided the employee is employed for the purpose of and is customarily and regularly engaged away from the employer's place of business in making sales, obtaining orders or performing work incidental to such activities. Nonexempt work of a bona fide outside salesperson is limited to 20 percent of the hours worked in the workweek by nonexempt employees of the

employer. As a result of this exemption, the Department of Labor (the Department) has no jurisdiction over the earnings and overtime hours of outside salespersons. Consequently, the Department has not had extensive experience in investigating the traveling sales agents you describe.

Our investigation activity for outside sales agents has generally been limited to enforcement of the child labor provisions of FLSA, which prohibit the employment of children under 14 years of age in nonagricultural employment and restrict the number of hours and time of day that children under 16 years of age may work. The application of these child labor provisions to children who are engaged in door-to-door candy sales was the subject of recent litigation by the Department.

In the case of Thomas et al. v. Brock, 810 F.2d 448 (4th Cir. 1987), the Department's position that children who were engaged in door-to-door candy sales were employees of the defendant Global enterprise and not employees of independent contractors, as unsuccessfully contended by the defendants, was upheld. Consequently, the defendants are enjoined, wherever they do business, from employing children in door-to-door sales activities in violation of the child labor standards as set forth in section 570.35 of Regulations, 29 CFR 570.

The position of the Department on the independent contractor issue in Thomas et al. supra, was based upon the "economic realities" of the circumstances. Under FLSA, the statutory definitions regarding employment status are necessarily broad to effectuate the remedial purposes of FLSA. Section 3 of FLSA defines an employee as "any individual employed by an 'employer.'" An "employer" is defined to include "any person acting directly or indirectly in the interest of an employer in relation to an employee ...." To "employ" includes "to suffer or permit to work." In this regard, courts have repeatedly recognized that the term "employee" is used in "the broadest sense 'ever . . . included in any one act.'" (Citations omitted.)

In accordance with the expansive interpretation of the definitions of "employer" and "employee" under FLSA, numerous courts have determined that the common law concepts of "employee" and "independent contractor" are not conclusive determinants of FLSA coverage. Instead the courts look to the "economic reality" of the relationship which determines employee status for purposes of FLSA coverage. The courts have recognized that "employees under the FLSA are those who are dependent upon the business to which they render service."

The Supreme Court and the lower courts have indicated that there is no single test for determining whether an individual is an independent contractor or an employee for purposes of FLSA. The courts have outlined several criteria to assist them in determining the existence of an employment relationship under FLSA. Among the factors which the courts have considered significant are:

1) the nature and degree of the alleged employer's control as to the manner in which the work is to be performed;

2) the alleged employee's opportunity for profit or loss depending upon his or her managerial skill;

3) the amount of initiative or judgment required for the success of the claimed independent enterprise;

4) the alleged employee's investment in equipment or materials required for the task, or his or her employment of workers;

5) whether the service rendered requires a special skill;

6) the degree of permanency and duration of the working relationship; and

7) the extent to which the service rendered is an integral part of the alleged employer's business.

The courts have been careful to emphasize that neither the presence nor absence of any one individual factor is dispositive, nor is any one of these tests controlling. Whether an employment relationship exists depends upon the entire circumstance, that is, upon the economic realities rather than technical concepts. The controlling determination is whether the alleged employee is "in business for himself."

If additional information is required, please have a member of your staff contact Mrs. Paula V. Smith, Administrator, Wage and Hour Division, at 583-8305.

Very truly yours,

William E. Brock

WEB:olb

Exhibit 8

OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

April 6, 1987

The Honorable William V. Roth, Jr.
United States Senate
Committee on Government Affairs
Senate Permanent Subcommittee on
Investigations
Washington, D.C. 20510-6250

Dear Senator Roth:

Thank you for your letter of March 19, 1987, concerning the Subcommittee's planned public hearing on April 6, 1987. At that hearing, the Subcommittee will explore allegations of deceptive recruitment and mistreatment of door-to-door sales agents, who apparently are often young high school and college students, by some members of the door-to-door sales industry. In your letter, you requested the Federal Trade Commission ("Commission") to submit a statement outlining its jurisdiction over such activities and its enforcement monitoring efforts regarding the practices described above.

As you may know, the Commission is charged with, among other things, enforcing Section 5 of the FTC Act, 15 U.S.C. § 45, which declares unlawful unfair and deceptive acts or practices in or affecting commerce. In carrying out this mandate, the Commission has a long history of involvement in curbing abusive practices in the door-to-door sales area. This involvement, which led to the promulgation of the Commission's Trade Regulation Rule Concerning a Cooling-Off Period for Door-to-Door Sales, 16 C.F.R. § 429, in 1972, has traditionally focused on deceptive sales practices. See, e.g., Grolier, Inc., 91 F.T.C. 315 (1978); Encyclopedia Britannica, Inc., 87 F.T.C. 421 (1976).

Historically, the Commission's involvement with employer-employee relationships and similar relationships such as teacher-student has concerned unfair or deceptive advertising or marketing practices that initiate such a relationship. For example, the Commission has issued orders against door-to-door sales companies that address deceptive recruitment and employee solicitation practices. See, e.g., Interstate Publishers Service, Inc., et al., 82 F.T.C. 364 (1973); Subscription Bureau Ltd., et al., 80 F.T.C. 201 (1972); Dixie Readers' Service, Inc., et al., 80 F.T.C. 215 (1972); Publix Circulation Service, Inc., et al., 80 F.T.C. 187 (1972). The Commission also has challenged deceptive job training and placement claims (see, e.g., FTC v. Badeau, et al., C-82-1002-G (M.D. N.C. July 1, 1983). The actual terms and conditions of employment, however, are generally regulated by state labor laws. At the federal level, the Department of Labor administers various statutes and regulations

pertaining to certain labor practices and conditions, such as workers' rights to a safe and clean work environment, workers' compensation and minimum wage. To the extent that the practices concern restrictions on sales agents' personal freedom, psychological intimidation or physical abuse, it would appear that these are criminal practices within the jurisdiction of criminal law enforcement agencies.

The Commission has monitored and continues to monitor activities of the respondents to these Commission orders, as well as the door-to-door sales industry in general. In addition to general monitoring, which includes evaluating and investigating complaints the Commission receives, the Commission analyzes and evaluates compliance reports that respondents to Commission orders are required to file. As a result of these monitoring efforts, the Commission has successfully brought several civil penalty actions. E.g., U.S. v. Dixie Readers' Service, Inc., Civ. No. J85-1056 (S.D. Miss. November 18, 1985) ($55,000 civil penalty for violations of Commission order and Cooling-Off Rule); U.S. v. Allied Publishers Service, Inc., Civ. No. CV-F-81-046 MDC (E.D. Cal. August 19, 1983) ($140,000 civil penalty for violations of Commission order and Cooling-Off Rule); U.S. v. Union Circulation Company, Inc., Civ. No. C 81-997A (N.D. Ga. April 1, 1983) ($15,000 civil penalty for violations of the Cooling-Off Rule); U.S. v. Paul Ramage, Civ. No. 81-157-ORL-Civ-R (M.D. Fla. March 31, 1981) ($10,000 civil penalty for violations of the Cooling-Off Rule).

In the past few years, however, the Commission has rarely received complaints regarding deceptive recruitment and mistreatment of door-to-door sales agents. In fact, as indicated in the documents submitted to your office, the Commission closed Mecca Enterprises, Inc., File No. 742-3146, primarily because of a substantial abatement of Mecca's allegedly unlawful conduct. As you are aware from the Mecca documents, the Dallas Regional Office staff had been informed by the former president of Mecca that abuses were common in the industry, although they were diminishing. His assertions, however, were unsupported by any documentation. Further, in response to the staff's questioning he refused to provide the names of any individuals or companies he believed were engaged in such practices. Because of their concern about such practices, the staff continued to monitor Mecca. The staff's subsequent monitoring, however, revealed few complaints about Mecca's practices. Consequently, the staff did not recommend reopening the Mecca investigation. The staff also did not become aware of an industry-wide problem at such a level that further Commission intervention appeared warranted. It would appear from the lack of complaints that the door-to-door

sales industry has improved its practices.*

The Commission believes there are several reasons that there are few complaints at this time. First, the Commission's Cooling-Off Rule, 16 C.F.R. § 429 (1986), has curbed the number of those companies who provide their sales agents the means and instrumentalities to mislead and deceive consumers into purchasing their wares. The Rule discourages such practices by allowing the consumer to cancel transactions involving the sale of consumer goods with a value of $25.00 or more. Thus, unless door-to-door sales companies operate and compete legitimately, they may be driven from the marketplace because too many of their sales may be cancelled. Concomitantly, the Commission believes it is likely that the Rule has had the effect of curbing the deceptive recruitment and mistreatment of sales agents.

Second, an increase in the number of two-worker households may have had an adverse effect on the door-to-door sales industry. Simply, fewer people are available for home solicitation because fewer people are at home during regular business hours. See Changing Tactics in Door-to-Door, Marketing Communications, Oct. 1, 1985, at 91; Facing Up to Shut Doors, Chicago Tribune, Sept. 15, 1985, § 7 at 1, col. 1.

Finally, door-to-door sales agents are likely being replaced by telemarketers. In many instances, telemarketing may be more efficient than selling door-to-door because it is less expensive and more people can be contacted by telephone. But telemarketing scams and con artists have proliferated. For example, the Commission has challenged telemarketers of office supplies, oil and gas leases, gemstones and rare coins.

The Commission and the National Association of Attorneys General also recently announced a joint enforcement effort directed at telemarketing fraud. This joint effort will include developing a law enforcement clearinghouse to share information on an expedited basis about telemarketing scams; conducting joint FTC-state investigations and coordinating resulting legal action; and producing and disseminating material to alert and educate consumers and business people to the problems posed by telemarketing scams.

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* The Commission's Division of Marketing Practices, however, has obtained three complaints, in connection with a current non-public investigation of a door-to-door seller, that allege deceptive recruitment of sales agents. The primary focus of this investigation, however, concerns product performance and not deceptive recruitment allegations.

The Commission would appreciate receiving any information that the Subcommittee has or may learn in its hearing concerning unfair or deceptive recruitment practices by door-to-door sellers. We also suggest that the Subcommittee advise appropriate criminal law enforcement authorities of any information concerning the physical abuse of sales agents.

By direction of the Commission,

Emily H. Rock

Emily H. Rock
Secretary

Exhibit 9

PREPARED STATEMENT OF LEE BRADBY

Mr. Chairman and Members of the Subcommittee,

I am pleased to be here this morning to describe my experiences as a member of a door to door sales crew. From April, 1984 until November, 1985 I was a member of Horace Robertson's crew, which sold Ultra Kleen cleaning fluid all around the country.

In April, 1984, when I was 24 years old, I answered an ad in a newspaper in Oklahoma, I was interviewed and joined Mr. Robertson's crew immediately. Mr. Robertson gave me some money to eat, assigned me to a room with 3 other guys, and told them to get me ready for the next day.

One of my roommates was Paul Roddey, who was also my "trainer." Paul explained that we would be going door to door to sell an all purpose cleaner called Ultra Kleen. Paul told me that the first 2 weeks were for training and that all your bills were paid so not to try too hard. I spent my first day with Paul

learning how to sell the product. I was truly surprised at what this product did and some of the things my trainer was doing. There was no way to tell Paul you weren't interested because he was so persistent.

While I was with this crew the number of members fluctuated from 42 when I started to a high of over 100 to 13 when I left the crew.

I would like to describe some of the working conditions with the crew. What should be kept in mind is that the only thing that really counts is the number of sales being made each day by the crew. Everything else is secondary.

We would routinely be out "on territory" from 10:00 a.m. until 7:00 p.m., 6 days a week, in any kind of weather. ("On territory" meant you were out going door to door in the location where your driver, or "car handler," left you.) Sometimes we would take a break for lunch, but more often than not we didn't. It all depended on how much money we had in our pockets. When we returned to the motel we would get our nightly "draw" (what Mr. Robertson doled out to us, through the "car handlers"), which was based upon our sales for the day. We did not receive the 30% commission on our sales -- this amount was credited on our "accounts" with Mr. Robertson.

Although it varied, at times the basic rule for draw was $2 per sale. If I made 5 sales that day I would get $10 from Mr. Robertson, and this $10 covered dinner that night, breakfast and lunch the next day, and all other expenses that I might have. Sales agents would often get $5 or $6 for a nightly draw, maybe even $3 on a bad day, and sometimes people would get no draw at all if they "blanked," or failed to make any sales. This happened to me several times.

In this situation, sales agents learned how to save any excess money they might have in case they had a bad sales day. I have seen agents borrow money from other agents or order to eat when they were doing poorly, and on occasion I took gasoline money (when I was a "car handler") to give to agents who needed money to eat. Mr. Robertson felt I was stealing but I was trying to make sure that people would have food in their stomachs before their day. I honestly felt that you could not go out and work the way you were expected to unless you had the proper nutrition.

At night there were meetings which sometimes ran late into the night in order to practice sales pitches and to motivate us for the next day. If sales were bad these meetings would often become abusive, verbally and sometimes even physically. If sales were good, Mr. Robertson would be in a better mood and if an agent had money on his "account," he or she might be able to get an extra draw to buy some shoes or clothes or something that was needed.

We would get to see our account sheets, which listed the daily sales and draws, about every three months, and we would find out if we were in the red, meaning we owed Mr. Robertson money, or in the black. We would get about 5 minutes to review the sheets and sign them because there would be a line of sales agents waiting outside, and if there was a disagreement Mr. Robertson would simply put an end to the discussion.

Most people owed Mr. Robertson money, based on the account sheets. If a person was a very good salesman or a "car handler" he might be in the black. Not only were daily draws and hotel charges deducted from the 30% commission on sales, but Mr. Robertson deducted other amounts in what I thought was an arbitrary way.

For instance, we were charged $2 per day for supplies, meaning the demonstrator bottle of Ultra Kleen which we used on territory. We were charged various amounts for "fines," ranging from $5 for being late to meetings to $500 for "fraternization." Mr. Robertson did not believe that the males and females on the crew should be in each others' rooms at night, for any reason. I was fined $500 twice for breaking this rule.

There was money deducted if Mr. Robertson had to bail you out of jail for being stopped for soliciting without a permit. The car handlers were responsible for getting permits in a

particular city or county, but if the permits cost too much Mr. Robertson would not want to get them. I recall one time when I was told by Mr. Robertson to get a permit but the city would not give one to us because they knew the product. Mr. Robertson said go ahead and make the sales anyway. Everyone got arrested and Mr. Robertson deducted the bail from my account, even though I was following his orders. I recall another time when the permit would have cost $1000 so Mr. Robertson said to forget about it and go out on territory anyway.

Getting in the black on one's account, and staying there, was almost impossible, and being in debt to Mr. Robertson kept people on the crew longer than they might have stayed otherwise. Mr. Robertson promised when I was hired that he would provide a bus ticket back to Oklahoma whenever I wanted to leave. But I recall asking to leave one time and he told me to head out for the highway, and I recall several others getting the same treatment.

As I mentioned earlier, everything depended upon the volume of sales. When sales were bad, there would be a greater chance of verbal and physical abuse. I remember at least 3 occasions when Mr. Robertson hit me. I still have a chipped tooth from a punch by Joe Robertson, one of Mr. Robertson's brothers. And I am aware of other incidents involving sales agents who were struck by Mr. Robertson and others traveling with the crew.

At times people hit him back, including myself, but most times they just took it. You may ask why people didn't go to the police. I didn't because I felt I was a person who could take care of myself. I think that others were afraid to go to the police because they would be stranded without money by Mr. Robertson. You never had extra money in your pocket and you really couldn't do anything. I know that this sounds odd, because a person could always use the phone and make arrangements or do something else, but when you were there on the crew you felt trapped.

I remember when the crew was in White Plains, New York in 1984 and the police came to our motel. Apparently they had been contacted by the parents of the one of the sales agents. A large group of people left the crew at this time because the police made sure Mr. Robertson provided bus tickets home and people probably felt safer with the police around. I had just been on the crew for a few months when this happened and I didn't really realize the situation I was getting into, so I stayed.

We had little contact with the outside, even on weekends because you were usually either traveling or going to meetings or doing something with the crew. Contact with our families and friends was discouraged, and phone messages and letters did not always arrive.

The one incident which I will never forgive Mr. Robertson for occurred when my father died in Texas. He died on a Thursday and my mother left messages with the main number in Texas for 4 days. Mr. Robertson did not tell me to call home until Sunday. Then he would not give me money for a plane ticket even though I had money in my account. He gave me money for a bus ticket and I arrived after the funeral because the bus trip took 36 hours. I assume Mr. Robertson did not tell me anything until Sunday because he wanted me out on territory making sales.

I didn't want to return to the crew then but after 3 days Mr. Robertson called me in Texas and persuaded me to return, saying that I had money on my account and I could get my own crew soon. It was a mistake to go back but I did.

Mr. Robertson has a temper. He fired me several times, for bad sales, for fraternizing, for wanting to visit home. But each time he ended up talking to me and persuading me not to leave. Mr. Robertson is very good at turning a person around if he or she wants to leave. I didn't leave sooner because I had no money and when I asked for it, Mr. Robertson would make promises and make me sound stupid. He would say I was a quitter, and I didn't want to be a quitter.

Mr. Robertson tells everybody that they can become a car handler or get their own crew some day or make lots of money in the door to door sales business. He built this dream in my

mind. Some people stay around because they believe this will occur, but of course it doesn't. The only person who makes money from the crew is Mr. Robertson, and I think he makes quite a bit.

One other point I would like to make about Mr. Robertson's crew involves drug use. Lots of people on the crew used drugs, including myself. Sales agents would use money from their nightly draws to buy drugs, leaving them with even less for meals and everything else. I think that Mr. Robertson knew what was going on and even though he is personally opposed to drug use, he would turn his head as long as sales were good.

When I left the crew in late 1985, in Indianapolis, it was as part of another group leaving with the help of the police. I had finally realized that I was not going to get the money I had accumulated in my account and my mother wanted me to leave. I honestly believe that I had several thousands of dollars in my account but I've never seen one penny.

I am now living in Kentucky and working in a warehouse. As I mentioned earlier, I feel that working on Mr. Robertson's crew helped me in some ways, and I had some very positive experiences while travelling with this crew. I was able to see many parts of the country, I made some good friends and had some good times, and I learned a lot about myself and the real world. But I will always be bitter about the way Mr. Robertson treated me and the other sales agents, and I believe that some sort of changes are

needed in order to protect sales agents and make sure they are treated fairly and get the money they earn.

I would be glad to answer any questions which you may have.

# PARENT WATCH

**New York, N.Y.**

Exhibit 10

APRIL 6, 1987

STATEMENT OF EARLENE WILLIAMS, DIRECTOR OF PARENT WATCH FOR THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. Chairman, as director of Parent Watch, I offer this statement in support of the young people who described their careers in traveling door-to-door sales crews before the subcommittee today. The willingness of these youths to step forward and tell the story of their mistreatment will hopefully encourage others to speak up as well. For this reason, they have the gratitude of all the members of Parent Watch.

Parent Watch is a clearinghouse for information on the scam that was explored in today's hearing. We operate on a shoestring budget, and yet we have managed to process hundreds of complaints by young men and women, such as the ones we heard today. We see that complaints get to the proper authorities; we provide a support network for families who have just come into contact with this scam, and we help stranded kids get home.

Parent Watch estimates conservatively that there are over 200 networking companies traveling around the country today, carrying approximately 15,000 young people with them. We estimate that this activity grosses more than $150 million annually for the owners. The youths who testified here today made it painfully clear what their payment was.

I can say without hesitation that during the last five years I have heard of every conceivable kind of calamity that could possibly befall these kids. To underscore what has been said here today, let me say that it is virtually always the case that the sales person works a 60 to 80 hour work week with inadequate food and sleep, little or no medical care, and no control over his or her personal life. And the kids are almost always cheated out of their earnings.

Beyond that, I have heard stories of kids who have been beaten and who have been raped; who have carried serious physical problems onto the job without realizing that there would be no medical treatment for them. I have heard stories of drugs offered by management to kids and of prostitution by girls afraid to return at night without their quota. I have even talked to one 18-year-old girl who saw her crew chief shoot and kill another crew chief. In some cases, the job has proven fatal to the kids (see Appendix I).

What Parent Watch wishes to address today, however, is not more stories about the kids, because testimony has, if anything, made their experiences painfully clear. We will look, instead, at how this scam got started. Who are these people who take our kids away? Who is responsible for what subsequently happens to them? To the degree that this has been detailed by others here, our statement will stand as confirmation. And if there have been areas of omission, then this statement will fill them in. The information that was obtained in order to draw this picture has come from publishers, owners and crew chiefs of subscription sales agencies and chemical companies, and thousands of pages of material that is available under the Freedom of Information Act.

* * * * *

The present state of affairs has its roots in the magazine publishing industry.

There are a handful of magazine subscription agents and chemical company owners whose names most frequently come to Parent Watch attention as abusers of young people. They are doing business at the top of their industry today, dealing out the business to scores of others beneath them. But back in the 1960s and early 1970s, most of them were simply crew chiefs for an older, now defunct group of companies that served the magazine publishing industry, called field selling subscription agencies. Interstate Publishers Service was one old timer; Local Reader Service was another. Two that I will speak of several times are Publishers Continental Sales Corp. and American Community Services (the only one that is still active).

These and others like them were the forerunners of the groups in operation today, making up the legacy of the magazine publishers to the dark side of today's industry. Field selling agencies today play a solid part in fulfilling the magazine industry's need for high circulation numbers; for advertising rates are, as in the past, based on circulation. These agencies have always been one of the cheapest ways to boost readership. The only cost to the publisher is the price of producing the product. Although the publisher would like to have the entire price of the subscription, splitting it 20/80, or so, with the field selling agencies is a small price to pay for a boost in readership rates, which in turn brings in millions of dollars in advertising profit to the publishers. And millions of dollars in profit, above and beyond what the subscription agencies make, is the bottom line.

It is not true, by the way, as the Magazine Publishers Association says, that cash field sales is an unimportant part of the circulation picture these days. For a specialty magazine, even when it is produced by a major publisher, the subscription rates can be boosted by as much as 10 percent and more. And some circulation managers will tell you this. Furthermore, a look at the lists of magazines that are being sold by the field selling agencies' crews on this very day reveal very big names in the business (see Appendix 2).

Let us look at the individuals who run today's crews and see how they got their start in the magazine publishing industry. To understand how these companies have flowed over time from essentially the same source, keep in mind that the magazine clearinghouses that are run by Robert and Michael Nace, Walter Lake and Charles Reinhardt, names that will come up again and again here, were already established magazine clearinghouses in the 1950s or before. I should also say here that the companies run by these people and one other large one, Summit Publishers Services Co., have, in the last year or so, split up into many splinter corporations, but the same individuals are still around.

Robert Nace bought his clearinghouse, National Student Agency, a subsidiary of Cowles Communications, around 1970 and moved it to Orlando, Florida, bringing in his son, Michael, at some point. This purchase was made during the publishing industry/ FTC scandal of 1970 as part of Cowles divestitute of certain assets (see The New York Times, February 1970). Mr. Nace began operating under a number of different names almost at once. Michael Nace had a run-in with the Federal Trade Commission on June 6, 1975 with regard to misrepresentations of the job to his sales people (June 6, 1975, Docket #C-2673). A second action by the Florida Attorney General's office on 8/26/82 resulted in the signing, by Michael Nace, of an Assurance of Voluntary Compliance. He was fined $5000. (Docket #82-10041).

Robert Pennington, who owns magazine sales crews now under many names (formerly Summit Publishers Services Co), used to work for Metro Press International and Par Service Co., with Del Goodhue. The California Attorney General's office took a look at Mr. Pennington and Mr. Goodhue in 6/16/77 in the form of a consumer fraud (unfair competition) action. (Docket #27-06-32)

Belo Kellam, Sr., who owns magazine sales companies uch as Trans International Circulation of America, has brought his son, Belo Kellam, Jr., into the business with him. Mr. Kellam, Sr. was a magazine crew chief for Walter Lake of Publishers Continental Sales Corp. back in 1972, our files show. In 1982 TICOA Corp., in settling a suit by the Minnesota Attorney General's office, agreed to refrain from misrepresenting wages, hours and working conditions to sales people (Wall Street Journal, 1/17/84, p. 1).

Joe Edge, who owns both magazine and chemical sales companies such as Circulation Builders of America, Inc. and Hy-Pro Chemical Co., Inc., among others, was a magazine crew chief for Opportunity Services Co., a Don and Ed Scott company, in 1971 and 1972. Prior to that, he worked for Local Reader Service as a crew chief. Mr. Edge was the focus of an FTC probe in 1974 and a Texas Attorney General's probe in 1980. In a case brought by Minnesota in 1975 against Mecca Enterprises, Mr. Edge's "independent contractors" were, in fact, found to be employees. In 1978 he was found in contempt of court for violating the order and was fined (Wall Street Journal).

Although no agency has looked at the size or activity of Walter Lake's clearinghouse since the 1970s, his operation in Michigan City, Indiana was, for years, the biggest clearinghouse in the country. Don and Ed Scott share office space with him today, as do a number of other field sales companies of tangled ownership. Nearly every owner of a company mentioned in this statement has dealt with Walter Lake in one way or another; they either worked directly for him at one time or have cleared at least part of their subscriptions through him. Both Lake and the Scott brothers were the focus of FTC actions that began in 1969 and ended in 1972 with the signing of Consent Orders (Docket Nos. 8841 and 8871). These consent orders dealt not only with consumer fraud, but also with fraudulent hiring practices and certain living and pay issues for sales people.

Charles Reinhardt of Union Circulation Co., Inc. is another of the old guard. He came up before the FTC in January 1955 in response to charges of unfair methods of competition (Docket #5978).

Lonnie Divine, who owns magazine sales crews today, was a magazine crew chief in 1970 for Robert Nace, mentioned above. On 9/22/70, according to our files, he came to the attention of the Magazine Publishers Association as a troublemaker crew chief. The Florida Attorney General's office pressed an action against Mr. Divine in 1984 under Florida's Deceptive and Unfair Trade Practices Act (little FTC Act). Mr. Divine signed a Stipulation and Agreement on 5/15/84, and the Attorney General's office says he is, as of today, not in compliance.

Paul Ramage, who owns a number of chemical sales companies such as Galaxy Industries, Ltd., was a magazine crew chief for Interstate Publishers Service back in 1969 where he, like Mr. Divine, came to the attention of the MPA, and was cited for "civil rights violations," according to our files. Prior to that he had been a magazine crew chief for Charles Reinhardt, mentioned earlier.

James McClure, who is mentioned as a prominent owner because his chemical company is a major supplier to the industry, worked earlier with Paul Ramage and Charles Reinhardt.

Nathan Edwards owns chemical sales companies such as Austin Diversified Products, Inc. today, but at one time was a magazine crew chief for Cecil T. Gay of Interstate Publishers Service, and Don and Ed Scott, above.

As one can readily see, all of these people have been in the business of selling magazine subscriptions at one time or another. Before the household cleaner product was introduced into this network, everything was magazines. The subscription agents who were in the business at that point interfaced with the magazine publishers through the Magazine Publishers' Association, the industry's trade group. A Central Registry was set up within the MPA in order to handle circulation problems, a major one of which was the rising tide of fraudulent, abusive, and sometimes criminal activities on the part of the field selling agencies

that were swarming all over the country, coming to the attention of law enforcement. Both publishers and subscription agents sat on the board. It was their job to field complaints and handle law enforcement and government agencies, and bad publicity.

Up until June 15, 1971, the alliance of publishers and subscription agents that made up Central Registry sent out directives on the Magazine Publishers Association letterhead to the industry, in an attempt to appear self-regulating. These memorandums named many of the fraudulent and abusive practices indulged in by the field selling agencies, and explicitly defined them. Central Registry even set up a system of fines and punishments for infraction. Lists of crew chiefs by name and company affiliation were also circulated out of the MPA offices to the agencies and publisher members where necessary, along with those individuals' entire work histories and "infractions." Of course, all fines paid by these companies to Central Registry were actually paid to themselves, since a number of them sat on the board. And individuals who were laid off for violations were usually reinstated within a short period of time--or rehired under aliases.

Although the Central Registry of the Magazine Publishers Association used euphemysms like "Cause" and "Serious Cause" when meting out punishments, they were actually referring to violations of law. Some of the violations named by Central Registry as being the most frequent and chronic were: fraudulent pitch at the door, false sympathy appeal, civil rights violations, and physical violence.

Publishers, in order to limit their dealings, signed contracts only with the individuals mentioned above, and a few more; sometimes through independent agents. In many cases, the publishers' representatives and the subscription agents were personally acquainted. The publishers were unhappy with the problem of splintering dealerships in the sales crew world, but they needed the business, so this limited dealing was the publisher's and the subscription agent's way of saying: "You handle your problems, and we'll handle ours."

Some of the new subscription agency owners, and Joe Edge was one of the first, saw the writing on the wall back in 1969 when the Federal Trade Commission opened a number of investigations in the magazine publishing field that focused first on publishers like Cowles Communications, publishers of Look Magazine, Time, Inc., and Hearst (New York Times articles, 2/26/69, 2/70 (three articles),6/70, 12/70, 1/71, 1/21/71, 3/71, 4/71, and 6/22/72), and finally some subscription agents themselves, such as Lake, the Scotts and the Naces. The availability of magazine subscriptions with which to earn a living was becoming a shaky proposition for subscription agents. And thus the sale of household cleaning products entered the picture. Mr. Edge bought Hy-Pro Chemical Company in Arlington, Texas and began running crews of kids who sold both magazines and cleaner. Others followed suit, or were set up in business by the first ones to turn to chemical products.

With regard to the magazine publishing industry, which still supplies the product that supports at least 50 percent of this scam today, it is easy to see that the publishers have always had enough negative information about field selling crews with regard to fraud and slavery that they could have canceled their contracts rather than be a party to their actions. But did they? For that matter, after the Federal Trade Commission committed itself to enforcement of the Consent Orders in 1971, what did it do to monitor these people in the years that followed?

The publishers disbanded Central Registry in 1971 after the FTC decisions were handed down, leaving any semblance of regulation to the FTC. A new, small service called Field Selling Information Service within the MPA was set up toward the end of Central Registry's existence. It had a narrower function than Central Registry: essentially it was an information clearinghouse between publishers and subscription agents. It authorized repayment to Travelers' Aid for sending stranded kids home, and it served as liaison with the Better Business Bureau, who received inquiries and complaints from all over the country. Joe Edge, Walter Lake and Nathan Edwards were members, to name a few.

The Federal Trade Commission walked away from its enforcement duties when Walter Lake informed them that he was going out of business on November 27, 1979 as Publishers Continental Sales Corp. In fact, his offices, which house a number of field selling corporations, are busier than ever.

The Federal Trade Commission, and in fact, no federal agency, has watched this scam grow and develop since. Local law enforcement and state attorneys general have dealt with consumer fraud issues--the visible end--as best it could, but even then in a disjointed fashion because of the maze of corporations involved, and the mobility of their crews. The mistreatment of young sales people went entirely unnoticed until Parent Watch was formed.

This brings us to the final level of relationships: crew chiefs and other management. Appendix 3 is a list of individuals, some owners and some crew chiefs or other management, who have gotten into trouble with the law, along with particulars. An extremely interesting range of illegal activities are displayed here. The affiliation of crew chiefs to top owners is given where it is known.

Given all of this information, and given that the lines of responsibility have been firmly drawn in this statement, where do we go from here? The hub of this scam turns on two things: one is the "independent contractor" status of every one; each sales person, each crew chief, and each owner of a sales crew-type company. Other than State of Minnesota v. Mecca Enterprises, this status has never been challenged, and it needs to be. The other thing is the rapid transportation, interstate, of large numbers of sales people for the purpose of working

door-to-door, without government regulation. Although most of the sales people sign some kind of contract, it relates largely to the rights of the sales corporation. There is no contract, for instance, which establishes acceptable work and living conditions, addresses compensation issues, and provides standards for health care and a safe job.

Appendix 3 reveals a problem that boggles the mind. Anyone can see from looking at this list what kind of people are drawn to the job of crew chief (owners used to be crew chiefs, too). In other words, these are the people who are taking our kids away. And yet, civil liberties experts remind us, people who have been in trouble with the law still have a right to work at a job, or go into business. The only answer to this problem is legislation that empowers the victim in addition to whatever other federal legislation that is devised as a remedy.

Parent Watch, therefore, supports the need for a broad Civil RICO statute as the only means available to private citizens to protect themselves against the kinds of abuses that have been related by the young people who testified here today. As the RICO statute returns to congress for what might be its final shaping, we add our voices to that of Robert Blakey, professor of law at Notre Dame Law School; ". . . victims of fraud sorely need laws that will keep our economic institutions not only free but honest, and that when great scandals occur, the rights of victims must be protected by laws that take the measure of sophisticated forms of crime."

Appendix 1

A number of young sales people have died in one way or another over the years while working on door-to-door sales crews. Listed below are the ones that we have the most information about. In every instance, the youths' fate was delivered to their families by hospital personnel or police officers, because their "independent contractor" status removed the company they were working for from any form of responsibility. In fact, in all these cases, families have never been able to ascertain much about the circumstances surrounding these deaths, due to the companys' refusal to cooperate.

1. On June 29, 1983 six young people were hired into Holiday Chemical Company, a subsidiary of Galaxy Enterprises, owned by Paul Ramage. A total of eight people were crammed into a five-weater aircraft that had been poorly maintained, and flown out of Panama City, Florida, destined for St. Louis, Missouri. The aircraft crashed in Atmore, Alabama, and all aboard were killed. The parents and friends of the youngest person aboard, 16-year-old Valerie Bagwell, are present at today's hearing.

2. On December 2, 1984 an 18-year-old girl died in a San Antonio hospital while working for a Robert Pennington company, Summit Publishers Services Co. She was supposedly stricken with an asthma attack, although there has been some confusion about the cause of death, according to the family. The car handler she had been assigned to rounded up the crew, taking her purse with them, and left her to die. In the purse was a card that might have enabled the paramedics to save her life.

3. On August 15, 1984 a 21-year-old salesman died while working on a company car. He was traveling with Tuff 'N Tidy Corporation, a Joe Edge company. The details of this young man's death are the sketchiest yet, for according to the company, there were no witnesses to his death. The mother claims she has never been able to get any information about her son, and the company claims it is not responsible.

4. In February 1978 an 18-year-old sales woman was strangled to death in Oklahoma City, allegedly by her crew chief while working for Handler Sales Organization--a company that gave a bogus Washington D.C. address to the Oklahoma City police department. The suspect is still at large and the case is still open. It took the victim's parents six months to locate her body.

Appendix 2

SOME MAGAZINE PUBLISHERS WHO USE SALES CREWS

(There are over 80 publishers on current lists)

ABC LEISURE MAGAZINES--High Fidelity

AMERICAN HEALTH PARTNERS--American Health

CATS MAGAZINE, INC.--Cats Magazine

CBS PUBLICATIONS, INC.--Backpacker and Stereo Review

CENTURY PUBLISHING CO.--Baseball Digest and Football Digest

CHARTER DOWNE PUBLISHING CO.--Ladies Home Journal

DBS PUBLICATIONS--Field and Stream

EARL G. GRAVES PUBLISHING CO. INC.--Black Enterprise

H'L PUBLICATIONS, INC.--Working Woman

JOHNSON PUBLISHING COMPANY--Ebony and Jet

NEW YORK TIMES MAGAZINE GROUP--Golf Digest and Tennis

NEWSWEEK, INC.--Newsweek Magazine

PSYCHOLOGY TODAY, INC.--Psychology Today

ROLLING STONE PRESS--Rolling Stone

RUMFORD PRESS--The Atlantic

SPORT MAGAZINE ASSOCIATES--Sport Magazine

THE SATURDAY EVENING POST CO.--Turtle and Childrens Digest

TIMES MIRROR MAGAZINES, INC.--Ski Magazine

US MAGAZINE, INC.--US Magazine

WORLD NEWS & U.S. REPORT, INC.--World News & U.S. Report

APPENDIX 3

SALES AGENCY MANAGEMENT PERSONNEL WHO HAVE COME

INTO CONTACT WITH LAW ENFORCEMENT

1. Bobby Unger, crew chief for New Reader Service (formerly a Lonnie Divine crew chief), indicted January 24, 1985 in 24th Judicial District Court, Jefferson Parish, Gretna, Louisiana for sexual battery.

2. George Thomas Sibiski, a crew chief for Walter Lake of North American Book Sales, Inc., arrested on 4/13/83 in East Orange, N. J. on possession of narcotics.

3. Paul Ramage, owner Galaxy Industries, Ltd., James McClure, owner McClure Chemical Co., Leon Stone, owner Stone Enterprises, and three others were indicted on February 20, 1973 on three counts of forcery of bank checks in the U.S. District Court, Northern District of Georgia.

4. James McClure was convicted on the above charge July 29, 1973 and sentenced to two years in the federal penitentiary in Atlanta, Georgia.

5. Don Scott, owner M.D. & D.,Inc. was convicted October 9, 1973 in Federal District Court, Baltimore, Md. of mail fraud. Case #242-02696-F.

6. Richard Lynn Barker, owner Bar-Jac Distributors and Pro-Kleen Arrested Sanford Florida Sheriff's Office for obtaining property by worthless checks on 1/14/79, and convicted. On 1/19/81 he was arrested by Sanford Florida Sheriff's Office for grand theft.

7. Earl J. Husser, crew chief for Paul Ramage of Galaxy Industries was arrested in August 1964 on a fugitive warrant as an escapee from prison where he was serving a sentence for armed robbery. He is currently in Wade Institute in Louisiana.

8. Horace Robertson, crew chief for Joe Edge, working under the name of Ultra Kleen, was arrested in Phoenix Arizona 1/13/60 on a forgery charge, was convicted. He was also arrested for attempted unlawful restraint on 2/8/70 in Franklin, Illinois.

9. Clifford Brown, Jr., crew chief for Paul Ramage was arrested 7/25/78 in Cincinatti Ohio for indecent exposure, and convicted.

10. Harold Kreth, owner of American Independent Marketing was indicted June, 1986 for indecent sexual assault (WCVB-TV, Needham, Mass. news clip).

11. James Calvin Jackson, crew chief for Go-Kleen, was indicted 2/19/81 and 3/5/81 on a total of four counts of check forgery, Circuit Court, Escambia County, Florida.

12. David Joseph Steffen, a crew member with Hy-Pro Chemical Co., a Joe Edge company, was convicted August 1982 for aggravated murder, a capital offense, in the slashing death of an 18-year-old girl in Cincinatti, Ohio. He is currently incarcerated in the Lima Correctional Institute for the Criminally Insane.

13. Richard Spence, a crew chief for Mecca Enterprises, a Joe Edge company was charged in Joanne Pierce v. Mecca Enterprises on September 21, 1973 with the beating of a sales woman., 99th District Court of Lubbock County, Texas.

14. John Mariere, a crew chief for Nathan Edwards was indicted in June 1986 in Westboro Massachusetts District Court for violations of state labor laws (WCVB-TV, Needham, Mass. news clip).

15. Yvonne Ruel, fiance of Lonnie Divine, owner of Media Techniques, was indicted 6/25/86 by Gloucester County Prosecutor's Office, Mantua New Jersey for interfering with the custody of a minor, a felony in that state. There is currently a fugitive warrant for her arrest.

16. James McClure pled guilty in April 1986 to charges of multi-state credit card fraud and was fined $5000 and placed on five years probation in Tennessee (The Banner, Nashville, Tenn.)

17. Clinton Carver, car handler for North American Book Sales, a Walter Lake company, was indicted March 1983, East Orange, New Jersey, for assault with a deadly weapon.

18. Peter Wiegandt, a principal of Summit Clearinghouse, a Robert Pennington company, was found shot to death on May 17, 1982 in an apartment in Houston, Texas. The medical examiner ruled the death a suicide.

19. Kenneth Morrow, crew chief and business partner of Michael Nace, was indicted for criminal homicide on May 25, 1986 in Pittsburgh, Pa. for the shooting death of Dennis Moss, another crew chief with the same company. He is still awaiting trial.

20. Harvey Clontz of Tiffany Industries was arrested Oct. 21, 1985 along with two others for possession of marijuana. The marijuana crop, worth $18 million was confiscated by the FBI. An investigation is pending according to the Huntsville Alabama office of the Federal Bureau of Investigation.

TESTIMONY OF CONGRESSMAN RON WYDEN
BEFORE THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
OF THE SENATE GOVERNMENT AFFAIRS COMMITTEE
APRIL 6, 1987

Exhibit 11

Mr. Chairman:

Thank you for the opportunity to discuss efforts to stop a chronic, and seemingly invisible crime: the abuse of our nation's youth by flim-flam door-to-door sales companies. I commend the leadership of Senator Nunn and Senator Roth for their bringing this issue to the attention of the Senate.

The vast majority of door-to-door sales operations in this country are legitimate business and charitable ventures. Nevertheless, attorneys general from around the United States and local law enforcement officials have been frustrated by a substantial number of door-to-door selling groups which are owned and operated by slippery and insidious criminals. These criminals prey on the desire of our young people to have a job and a brighter future. They are exploiting as many as 15,000 of our young people at any time. And they are getting away with it.

The process begins with companies advertising jobs promising high pay and the adventure of travel in the want ads of local newspapers. Interviews are conducted in a local motel and the prospective employee -- usually between 16 and 24 years old -- is told that they can have a job. But there's a catch. The young person has to leave right away -- there's no time to talk to parents.

It's often said that the parents are welcome at the interview, but because of the shortness of time between the interview and departure, parents are often in the dark about what is going on. In many cases, the only contact made with parents before the youth goes on the road with the sales crew is a letter from the operator of the company to inform the parents that because of the travel itinerary, all mail to their child will have to go through a central location.

After that, the young people who have decided to sign on to these crews are often subject to a vast array of threats to their health and well-being. They are taken from familiar surroundings, work 14 to 16 hours a day, seven days a week, sleep in crowded conditions, are subject to humiliation and physical abuse at the hands of the sales crew leaders and are transported in unsafe vehicles.

Arrest and prosecution of the owners and operators of these companies remains difficult. These companies are interconnected, forming a sort of network. The names associated with one company can also appear on the roster of another, forming a layer upon layer network of firms with titles that can change with each locality. This layered network contributes to the difficulty that state and local agencies have in successfully prosecuting these operators.

In addition, these groups are extremely mobile. It's not unusual for them to disappear from a state literally overnight when local law enforcement authorities catch wind of them. It's also not unheard of for these groups to be put out of business one day and resume business the next under a different name.

State and local officials contacted by my staff during our research expressed the need for a central source of information to more effectively keep track of these groups. In the 99th Congress, I introduced legislation that would establish a clearinghouse of information on fraudulent youth employment practices within Federal Bureau of Investigation's National Crime Information Center (NCIC). Information on these fraudulent groups would be located in a separate index so law enforcement officials get quick information about a group that was operating in their jurisdiction. This would make it easier for law enforcement officials to have enough information to make an arrest.

My bill also directed the U.S. Department of Justice to vigorously investigate and prosecute violations of federal criminal law discovered through this clearinghouse.

On November 6, 1985, the Subcommittee on Civil and Constitutional Rights of the House Judiciary Committee held a hearing on this issue and my legislation. During her testimony at this hearing, Deputy Assistant Attorney General Victoria Toensing indicated that fraudulent youth employment was an issue that "could go very well" within the agenda of an executive working group of federal, state, and local law enforcement officials within the department. I would suggest that the subcommittee inquire as to the working group's activities on this issue.

I also considered other mechanisms that would accomplish the same task of creating a central information clearinghouse available to state and local law enforcement. I discussed the possibility of establishing a U.S. Department of Justice task force on this problem with Deputy Assistant Attorney General Victoria Toensing. A task force such as this would provide assistance to state and local authorities, through the confidential collection and coordination of information, law enforcement training, and prosecutorial assistance.

For the long-term solution to this problem, I also believe taking a close look at current federal statutes for any loopholes that allow these operators to merely wink at the laws concerning fair labor standards, consumer protection, civil rights, slavery and peonage, is essential. In addition, I think we need to look at ways the federal agencies, including the Federal Trade Commission, the Department of Labor, and the Justice Department can increase the enforcement of laws that apply to these groups.

Mr. Chairman, it is my hope that today's hearing on this issue will be a another significant step in producing a solution to this national tragedy during this Congress. We've let this scandal slip by us too long. I stand ready to assist you in any way that I can to ensure that our nation's young people get a fighting chance at getting jobs that don't abuse and exploit them.

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STATEMENT BY
WILLIAM F. GOROG, PRESIDENT
MAGAZINE PUBLISHERS ASSOCIATION
FOR THE PERMANENT
SUB-COMMITTEE ON INVESTIGATIONS
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE
May 1, 1987

Exhibit 12

Mr. Chairman, my name is Bill Gorog, and I am the president of the Magazine Publishers Association, an organization made up of 200 magazine publishing companies which publish 800 consumer interest magazines. Most of the magazines the American people read are published by members of MPA.

The Magazine Publishers Association and its individual members do not and never have condoned any abusive hiring or selling practices by any subscription selling organization. Thirty years ago, door-to-door sales constituted about 28% of all magazine subscription sales, but today, they account for less than 1% of total subscription sales. The nature of the market place dictates that direct sales through the Postal Service is the best way to sell subscriptions and produces the most subscription renewals. We know of no member of MPA which now owns, controls, or has any financial interest in any door-to-door sales organization.

Over the years, we have cooperated with local Better Business Bureaus, Chambers of Commerce, the Federal Trade Commission, and state and federal consumer protection agencies in efforts to curtail these activities. We supported the development and promulgation of Federal Trade Commission regulations on door-to-door sales a decade ago. For many years, we sponsored Central Registry, a self-regulatory organization founded in 1940, designed to identify and prevent door-to-door sales abuses. Central Registry went out of

business when the Federal Government, through the FTC, undertook an active role in door-to-door sales' regulation in the early 1970s. Later, we sponsored Field Selling Information Service, which gathered information on high-pressure sales tactics and made it available to publishers. That, too, went out of business as door-to-door sales declined in importance to the publishing industry.

It has been our experience that specific evidence of these abuses is hard to gather. We have asked that anyone who has any information about specific abusive selling practices of magazine subscriptions to provide us with that information. We will investigate; we will make our members aware of the facts; and we will cooperate with the law enforcement officials to the maximum extent we can. But we can hardly organize a possee to apprehend wrong-doers when evidence of either the wrong or the doer is not at hand. Before devising the solution to the problem we hope that sufficient evidence will be brought to light showing that there really is a problem. Then, Congress and the Executive should determine whether the nature and scope of the problem is such that it warrants federal, state, or local action. Whatever you decide, you may be assured that we in the magazine publishing industry will support you.

Exhibit 13

On April 6, 1987, the Senate Permanent Subcommittee on Investigations held a hearing on the treatment of young adults who work for traveling door-to-door sales crews that sell magazine subscriptions. Following this hearing, Senator Roth, the Ranking Minority Member of the Subcommittee, sent letters to the publishers whose magazines were allegedly sold by these crews.

In these letters, Senator Roth asked the publishers to investigate whether their magazines were being sold by sales crews which employ abusive practices, and, if so, to examine any problems associated with these groups. Senator Roth also requested that these publishers report any of their findings to the Subcommittee.

The Subcommittee did not receive responses from many of the publishers to whom the letter was sent. However, of the several responses we did receive, some were very encouraging. For example, the circulation manager of Psychology Today wrote that she investigated the matter and consequently revoked the authorization of one agent to sell the magazine. Other publishers wrote that they were concerned about the issue and that they were monitoring the situation. The president of one publishing company requested more information on the subject so that he could determine whether his company dealt with any sales organizations which employ abusive tactics. Only one respondent voiced an outright objection to the hearings and the resulting legislation.